



Curbing Corruption Through Corporate Disclosure and Transparency

How ASEAN Companies are Performing

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As ASEAN tries to capitalise on the opportunities presented by its regional integration, it is crucial that the regional bloc and its stakeholders take effective steps to curb corruption. Businesses have been part of the problem, and now they must be part of the solution.

Corruption is a serious concern all over the world. The World Bank estimates that US\$1.5 trillion is paid in bribes each year by businesses and individuals. This is equivalent to two per cent of global GDP and 10 times the value of overseas development assistance. The actual cost on society is even higher as corruption undermines the rule of law and stymies inclusive growth. It deprives people, particularly the poor, from their basic needs, fuels injustice, inequality and resentment, and seriously hinders attempts to alleviate poverty. For these reasons and more, substantially reducing corruption is at the heart of the Sustainable Development Goals.

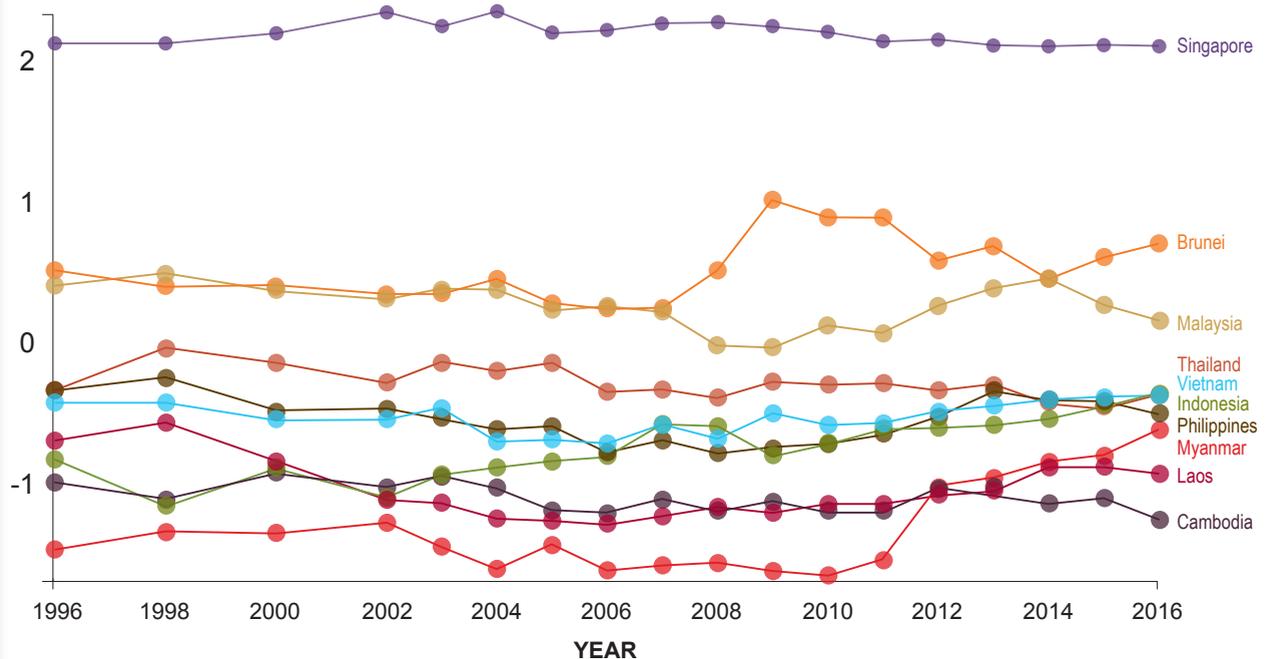
According to the World Bank's *Control of Corruption* indicators (see chart below), very little progress has been made by ASEAN in the fight against corruption over the two decades from 1996 to 2016. As a region, it also consistently fares badly in Transparency International's Corruption Perception Index (CPI), with most of its countries ranked in the bottom half. The 2017 *Voices of ASEAN* report published by the Economic Research Institute for ASEAN and East Asia highlighted that corruption is the top concern at both national and regional levels, requiring concerted action by all member countries.

Corruption in much of ASEAN has become so systemic that many people say it has become ingrained in the cultural norms and expectations of doing business in the region. Even Singapore, the sixth least corrupt country in the world

according to Transparency International, is not immune. Data shows that most corruption cases in ASEAN involve the private sector, and this is also true for Singapore. The latest annual statistics released by Singapore's Corrupt Practices Investigation Bureau show that private sector cases continued to form the vast majority of corruption cases in the country, at 92 per cent in 2017.

Throughout ASEAN, businesses have been a large part of the problem, and now they must be a leader in delivering the solution. By adopting greater corporate transparency and reporting on their anti-corruption programmes, companies can make themselves accountable internally and externally, and create a robust governance system that can help them detect or prevent wrongdoing. Which begs the question: How are companies in ASEAN performing?

Control of Corruption in ASEAN (1996 – 2016)



Source: World Bank

(Ranking the degree to which governments exercise control to reduce corruption, where zero is average for countries of roughly similar income levels, and +2 is very good)

Overall improvement

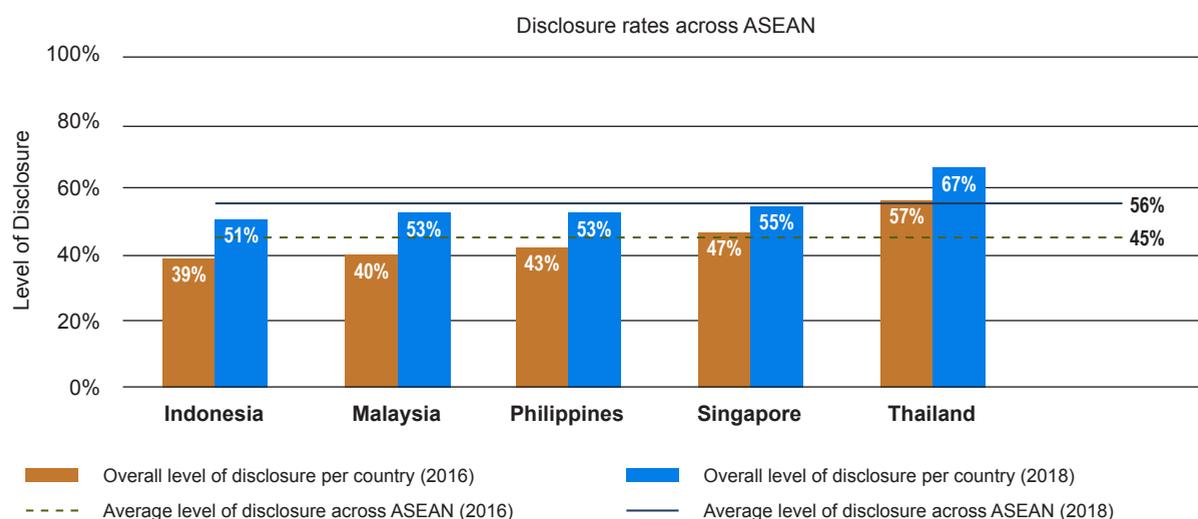
The 2018 study on *Corporate Disclosure on Business Integrity in ASEAN* which assesses the anti-corruption disclosures of the top 50 ASEAN-based companies by market capitalisation shows an improvement in the average level of disclosure across five countries (Indonesia, Malaysia, the Philippines, Singapore, and Thailand). Compared to the baseline study in 2016, the average level of disclosure increased 11 per cent, from 45 to 56 per cent. Thailand continues to lead with the highest disclosure rate (67 per cent), followed by Singapore (55 per cent). Indonesia still scores the lowest (51 per cent), whilst Malaysia and the Philippines show solid improvement, both attaining 53 per cent (see chart, “Anti-Corruption Disclosures Across ASEAN”).

Much credit for Thailand’s high disclosure rate goes to the “Principles of Good Corporate Governance for Listed Companies 2012”, a framework that was stringently implemented by the Stock Exchange of Thailand and which emphasised disclosure and transparency.

Similar to the findings in 2016, the 2018 report found that companies still focus more on their own operations while ignoring their responsibility to embrace and enact a set of business integrity values in their sphere of influence. As the table on the next page (“Anti-Corruption Disclosures”) shows, a majority are committed to comply with anti-corruption laws (Question 2) and apply the Code to all employees and directors (Question 4). Applying the Code to agents (Question 5) and suppliers (Question 6) are areas that need improvement. Worryingly, leadership support combating corruption (Question 3), though up from 18 per cent in 2016, is still lamentably low at 38 per cent.

Singapore companies perform variably. They perform comparatively well on most parameters, but they markedly lag when it comes to applying the Code to agents (Question 5), leadership support (Question 3), and disclosure of political contributions (Question 13).

Anti-Corruption Disclosures Across ASEAN



Source: Corporate Disclosure on Business Integrity in ASEAN 2018 by the ASEAN CSR Network (ACN) and the Centre for Governance, Institutions & Organisations (CGIO), NUS Business School

Anti-Corruption Disclosures

Category	Question	Description	Singapore Disclosure Rate 2018	ASEAN Disclosure Rate	
				2018	2016
1. Internal commitment to anti-corruption	1	Publicly stated commitment to anti-corruption	79%	70%	54%
	2	Commitment to comply with laws	92%	94%	96%
	3	Leadership support	34%	38%	18%
	4	Code applied to all employees and directors	56%	85%	75%
	7	Training programme for all employees and directors	67%	66%	45%
2. External commitment to anti-corruption	5	Code applied to agents	17%	16%	14%
	6	Code applied to suppliers	38%	29%	19%
	8	Gifts, hospitality, travel policies	51%	60%	59%
	9	Prohibition of facilitation payments	42%	34%	21%
	13	Disclosure of political contributions	23%	31%	31%
3. Reporting and monitoring	10	Prohibition of retaliation for reporting	76%	77%	64%
	11	Confidential reporting channel	88%	75%	56%
	12	Regular programme monitoring	58%	49%	34%

Source: Corporate Disclosure on Business Integrity in ASEAN 2018 by ACN & CGIO

Singapore companies lead

Of the top 11 companies with the highest levels of disclosure across the five ASEAN countries, five are from Singapore: Golden Agri Resources, Sembcorp Industries, SIA Engineering, Singapore Airlines, and Singapore Telecommunications.

Encouragingly, the increasing awareness of the corporate governance landscape in ASEAN has led more countries to implement new codes of corporate governance that encourage disclosure of anti-corruption measures, alongside a marked improvement in the average level of disclosure across the five ASEAN countries. That said, there is still much room for improvement. In the campaign to promote integrity in business operations, it is important to note that the assessment of companies is based solely on the disclosure of their anti-corruption policies. It does not necessarily reflect the actual enforcement and effectiveness of these policies.

Being transparent and reporting indicate commitment and action. Ultimately, businesses need to build a strong corporate culture of integrity. By upholding good moral values and doing right in the first place, corruption has no opportunity to take root. For this reason, under the ASEAN Community Blueprint 2025, promoting good governance and transparency, and instilling a culture of integrity and anti-corruption are identified as strategic measures to realise the ASEAN Community Goals.

Corruption is a cross-border issue and no single individual or entity can fight it alone. As promising as the 2018 Corporate Disclosure on Business Integrity in ASEAN is, it is clear that much work remains to be done. It is time that all stakeholders – from governments to businesses, academia to civil society – join hands and fight as one. ■