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**CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN VIETNAM
HOW DID COMPANIES REACT TO SCANDALS?**

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ANNO ACCADEMICO 2018 – 2019

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THESIS

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Signature of the student

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INTRODUCTION

Organizations could manage their social and environmental impacts; improve operating efficiency and natural resource stewardship by focusing on sustainability (EY and Boston College Center Study, 2013). Since a majority of industry CEOs believes that sustainability issues will be one of the critical concerns of the global economy (Pwc, 2015), Corporate Social Responsibility (CSR) has become a fundamental factor for a successful firm. According to Zink, K.J. & Steimle, U. (2007), a company has to commit to socially and environmentally responsible behaviors while attempting to achieve its economic goals. Sharing a similar view, Isaksson, R. & Steimle, U. (2009) state that *“for a corporation’s survival, the legitimacy of its activities and outcomes is critical because it is considered the social license-to-operate on which every business depends”* (Isaksson, R. & Steimle, U., 2009, p.170)

Besides, CSR activities should be reported to the firm’s target groups (Heemskerk, B.; Pistorio, P. & Scicluna, M., 2002) by various instruments. Gray (2005) describes the CSR report as the notification process of social and environmental impacts caused by company economic activity to specific interest groups and the company as a whole (Gray, 2005). He also defined CSR disclosure as the communication of the social and environmental impacts resulting from an organization's economic actions on particular interest groups and society at large (Gray, R. Kouhy, R. & Lavers, S., 1995). In a nutshell, CSR concept refers to dialogue and interaction between a company and its stakeholders and the instrument for this dialogue and interaction is CSR reporting (Łukasz Matuszak & Ewa Rózańska, 2017).

Although the concept of CSR and CSR disclosure has attracted increasing attention from worldwide researchers, most of the empirical researches are studied in the industrialized countries of Western Europe, the USA, Australia, and Japan (Mathews, 1997; Gray et al., 1995; Deegan, 2002, Haider, 2010). The focus is more on advanced economies than developing countries (Kisenyi & Gray, 1998; Islam & Deegan, 2008). It is even fewer studies in Vietnam context. Tsang (1998) points that it would be troubling to generalize the results of studies on CSR of developed countries to emerging markets since the development level along with cultural and other national factors have a strong influence on CSR. However, recently, some outstanding studies were carried out in the context of Bangladesh, Malaysia, Thailand, China, Singapore, Middle Eastern countries, South Africa, Ghana, Nigeria (Belal and Momin, 2009). An increasing trend is observed in many developing countries where more than 70% of large companies in

India, 42% in Thailand, 30% in the Philippines presented themselves as having CSR policies and practices (Chapple & Moon, 2005). 79% of the 100 largest companies in Asia Pacific report on their sustainability impacts, surpassing even Europe and North America (Carrots & Sticks, 2016).

After the 1986 Renovation, Vietnam's economy has transformed swiftly from central-planning economy to market-oriented economy and then internationalization. This development not only created changes in its business' structures, but it also generated critical issues for Vietnamese accounting and reporting practices. Instead of reporting to the state, companies have been expected to provide corporate information to non-state users, including investors, creditors, financial analysts, environmentalists, and other stakeholders. In response to the rapid development of the capital markets, Vietnamese regulators officially declared many regulations such as Vietnamese Accounting Standard 2005 and Securities Law 2006 with the aim of regulating and improving firms' reporting practices. In 2013 Vu, director of the Vietnam Department of International Cooperation clarified that the majority of Vietnamese firms do not value the importance of social responsibility information. It is noted that investors were not adequately informed about the information regarding emissions level, waste levels, water usage, community involvement, employee welfare issues or dependency of the CSR committee. He concluded that the CSR reporting study in Vietnam had achieved little in the past years (Vu, 2017). In 2015, Circular No 155/TT-BTC was issued and it is considered as the first legal document requiring disclosure on sustainable development of listed companies in Vietnam. Recently, in June 2018, the launch of Vietnamese version of the Global Reporting Initiative (GRI) Standards, which was co-organized by the Ho Chi Minh City Stock Exchange (HOSE) and the Vietnam Chamber of Commerce and Industry (VCCI), was introduced effectively with the engagement of more than 160 participants, and widespread local media coverage in Ho Chi Minh City. These regulations and event are evidence that although CSR disclosure is relatively new to the Vietnamese business community and remains voluntary among Vietnamese listed firms, it received extensive supports from related authorities.

Motivated by the above situation, this work's objective is to assess CSR disclosure in specific Vietnam companies. This paper is going to review the literature of CSR disclosure in the developing countries by analyzing CSR disclosure in Vietnam context, using multiple case studies approach. The author will not only use official CSR disclosures but also investigate information from various resources including media and people-in-charge interviews to analyze

how Vietnamese companies reacted to scandals, clarifying which natures of their CSR reporting would be changed after scandals and how things were conducting in their internal organizations.

In short, this research will bring an overview idea for organizations in Vietnam to learn from the leading companies reactions in CSR disclosure when its face scandals. This paper is organized in four chapters: chapter 1 is designed to review the literature of CSR and CSR disclosure in general; section 2 is intended to review the literature of CSR disclosure determinants in country level and firm level in both developed and developing countries and clarifies the definition of scandals in on-going global economic context and how it affects firms' legitimacy; chapter 3 focus on methodology, analyzes why and how the author choose case study; chapter 4 is dedicated to investigating what happened in 2 large Vietnamese firms disclosure when its face scandals, following with the findings from the interviews with Vietnamese participants and then examining the results as well as theoretical and practical implications of the research which can be useful for organizations in Vietnam.

CHAPTER 1: CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE

Corporate social responsibility (CSR) concept that we know today has developed during the past 70 years from the early 1950s. It significantly expanded during the 1960s, and then focused on its role to business and society (Carroll, 1999; Carroll, 2008; Frederick, 2006 as cited in Carroll & Shabana, 2010). There are numerous pieces of evidence of CSR practices throughout the world, mostly in developed countries such as European countries and the United States (Cavrou, 1999 cited in Carroll & Shabana). Recently, also in developing countries – usually identified with low GDP per capital – CSR issue has received increasing attention by the companies (KPMG, 2017), the public (Reinhardt et al., 2008), the scholars (Reinhardt et al., 2008), and the legislators (Gray et al., 2001, Steurer, 2010). Companies have to use different instruments to communicate what companies have been doing in CSR with the public, and CSR disclosure is one of the means that they can use. Companies which communicate their social and environmental commitments can achieve higher consumers' loyalty since there is a significant positive correlation between CSR disclosure and customer loyalty (Mandhachitara et al., 2011 cited in Isnalita, 2017)

1.1. Overview of CSR disclosure

This section includes 4 bullet points which clarifies the definition of CSR disclosure, its contemporary issues, its global standards and one of the most popular applied standards that is Global Reporting Initiative (GRI) Guidelines.

1.1.1. Defining CSR disclosure

Although the concept has been known more than seven decades, there is no universally recognized definition of CSR (Carroll & Shabana, 2010). Bowen, who could be considered as be the father of CSR stated the first definition of CSR as "It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen, 1953, p.6). According to The Commission of the European Communities, CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and their interactions with their stakeholders on a voluntary basis" (European Commission, 2001, p.3). The Commission also states that when a company voluntarily decides to contribute to a better society and a cleaner environment, the company is doing CSR (European Commission, 2001). Similarly, Marsden (2001) considers CSR as the core activities of companies and the responsibility for their total impact on the societies in which they operate. He mentions that CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible enterprise is one taking account of all the positive and negative environmental, social and economic effects it has on society when runs a profitable business. Tracy (2012) strengthens above ideas by defining CSR as a voluntary commitment of firms to include economic, social, and environmental criteria in their practices above and beyond legislative requirements. She states that "CSR is not about philanthropy, cause-related marketing, nor generalized attempts at going "green." It is a business strategy and one that takes time to evolve" (Tracy, 2012, p.1). Despite different available definitions, CSR is consistently referred to four dimensions, according to Carroll (1979), including the economic, the legal, the ethical and the discretionary responsibility or five aspects, according to Dahlsrud, (2008), including the stakeholder, the social, the economic, the voluntariness and the environmental dimension.

Despite its long history, some authors claim that CSR is still an emerging activity and has much room to grow (Guan & Noronha, 2013; Jamali & Karam, 2016). Although we can recognize its regular contribution through firms' actions in numerous social and environmental issues, it remains challenging to accurately measure CSR impacts in general because of its

voluntary features. Hence, CSR activities should be reported to the firm's target groups (Heemskerk, 2002).

Initially, CSR reporting started when organizations use annual reports to manage public opinion and satisfy stakeholders (Neu et al. 1998; Patten, 1992 cited in Tran, 2017). At first, CSR reporting began with employee reporting and then broadened to more types such as environmental reporting, social reporting, triple bottom line reporting and sustainability reporting (Bhur, 2007 cited in Tran, 2017). Since the 1990s, many academics have paid attention and attempted to define CSR disclosure leading to various definitions in contemporary literature. Some examples of these definitions are presented as follows:

“Corporate social disclosure can be defined as the provision of financial and non-financial information relating to an organization's interaction with its physical and social environment, as stated in the annual report or separate social reports.” (Hackston & Milne, 1996, p.78).

“CSR reporting is a key tool for communication with stakeholders about an organization's CSR activities.” (Golob and Bartlett, 2007, p.1)

“Social and environmental disclosure can typically be thought of as comprising information relating to a corporation's activities, aspirations and public image with regard to environmental, community, employee and consumer issues.” (Gray et al., 2001, p.329).

These definitions mention the keywords “information” of CSR disclosure regardless of its various labels. Previous literature recorded the interchangeable use of terminologies in CSR disclosure studies, such sustainability disclosure, social accounting, as social and/or environmental disclosure (CSRD), sustainability reporting, stakeholder dialogue reporting, and social auditing (Gray, 2001; Parker, 1986), which could confuse. Therefore, the author uses the term CSR disclosure to address corporations' communication on its social and environmental responsibility to its stakeholders.

1.1.2. Contemporary issues in CSR disclosure

Whereas a majority of researchers agrees upon the critical role of CSR disclosure, there are debates on whether CSR disclosure should be a voluntary or mandatory report. CSR disclosures are voluntary and mainly done through corporate annual reports (Haron et al. 2004). Nevertheless, during the previous decade, mandatory disclosure has become a trend with a growing number of countries applying mandatory disclosure for CSR information, such as India, Argentina, Denmark, France, Indonesia, Malaysia, etc. (Malan, 2013 cited in Tran, 2017). In South Africa, The Broad-Based Black Empowerment Act in 2004 which requires disclosure on

corporate initiatives regarding black empowerment and The Companies Act 2008 which hold directors personally liable for poor performance and poor public disclosure of information proved that the regulatory bodies had put the effort in mandatory disclosure. Regarding European countries, according to Directive 2014/95/EU on disclosure of non-financial information from 2017 onwards, large companies (exceeding 500 employees) which have headquarter in the 28 EU Member States are required to disclose non-financial information on environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery, diversity on company boards (in terms of age, gender, educational and professional background). Following that, the Directive was implemented in Austria by Sustainability and Diversity Improvement Act 257/ME; in Belgium by Amendment to Companies Code 2564/ (2016/2017); in Italia by Legislative Decree 30 December 2016, n. 254; etc.

Requirements for mandatory CSR disclosure can be released under the forms of national laws, regulations or listing requirements. The current CSR reporting practices can be classified into three categories. “The first category covers companies that do not disclose their social and environmental activities since they do not treat it as a relevant matter. The second category includes companies that disclose CSR information on a voluntary basis. The third category covers companies that are obliged to disclose their CSR activities under some specified conditions such as size or industry” (Łukasz & Ewa, 2017, p2).

Furthermore, KPMG (2016) investigates that there has been a rise in the number of reporting instruments with almost 400 sustainability reporting instruments in 64 countries versus 180 instruments identified in 44 countries in the 2013 report. Although mandatory instruments dominate thanks to 80 percent of the studied countries introduced some sustainability reporting instrument regulations, voluntary instruments still robustly grows. Currently, all companies, investors and analysts are approving and supporting legal provisions in CSR reporting (Łukasz & Ewa, 2017).

On the other hand, although CSR disclosure is deficient, general and descriptive in the developing countries (Haider, 2010), an increasing trend is observed (Ratanajongkol et al., 2006; UNCTAD, 2008 cited in Haider, 2010). In such emerging markets, in order to gain legitimacy with external parties such as foreign governments and foreign aid agencies, the governments accept western styled corporate governance (Ali et al., 2016).

1.1.3. CSR reporting guidelines

As discussed above, the importance of CSR reporting in today's financial markets is rising. An increase in the number of social reporting requirements driven by the governments and stock exchanges around the world is observed. Both factors have played a key role in advancing the field of CSR reporting. Therefore, several guidelines standards have been developing by companies, researchers or independent authorities, proposing multiple approach solutions for the accountability and the communication of firms' CSR activities. Following is brief introductions of the most popular guidelines standards on CSR disclosure:

Accountability AA1000AP (2018)

Accountability AA1000AP 2018 is a standard developed by the Institute of Social and Ethical Accountability (ISEA). Its purpose is to provide "organizations with a practical set of internationally accepted guiding principles, with which they can assess, manage, improve and communicate their accountability and sustainability performance. The AA1000AP standard provides "guidance on how organizations can become and remain accountable for their results and broader ecosystem impacts" (Accountability, 2018, p.12). Accountability is used as the basis of financial and other forms of accounting, auditing, and reporting. AA1000 is argued to represent an innovation for sustainability by "linking the development of accounting, auditing and reporting of sustainability with the need to create legitimacy for outcomes, through a process of stakeholder engagement and inclusion" (Robert & Jan, 2002, p.1). AA1000 Series of Standards are founded on the Principles of inclusivity, materiality, responsiveness, and impact. The new AA1000AP - 2018 is an internationally accepted framework and guidance that organizations can use to recognize, arrange and respond to sustainability challenges to enhance long-term performance (Accountability, 2018).

Global Reporting Initiative (GRI) Guidelines

GRI is an independent international organization, based in Amsterdam, the Netherlands, working independently with entrepreneurs, governments and other organizations in order to help them understand and communicate their impacts on issues such as climate change, human rights, governance and social well-being (GRI, 2018a). The GRI Sustainability Reporting Guidelines (the Guidelines) offer Reporting Principles, Standard Disclosures and implementation guidance for the preparation of sustainability reports by organizations, regardless of their size, sector or location (GRI, 2018a). The Guidelines is developed with true multi-stakeholder contributions and rooted in the public interest. GRI reports are produced in more than 100 countries (GRI, 2018a).

OECD guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are part of the OECD Declaration on International Investment and Multinational Enterprises. Its elements relate to national treatment, conflicting requirements on enterprises, and international investment incentives and disincentives (OECD, 2008). They provide “*voluntary principles and standards for responsible business conduct consistent with applicable laws*” (OECD, 2008, p.9). The Guidelines aim to ensure that enterprises’ operation harmonizes with government policies, to strengthen the confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprises (OECD, 2008). The OECD Guidelines address the CSR areas including disclosure, human rights, employment, and industrial relations, environment, combating bribery, bribe solicitation, and extortion, consumer interests, science and technology, competition and taxation (Gradert & Engel, 2015). Initially, the Declaration and the Guidelines were adopted by the OECD in 1976, and they were revised in 1979, 1982, 1984, 1991, 2000 and 2011.

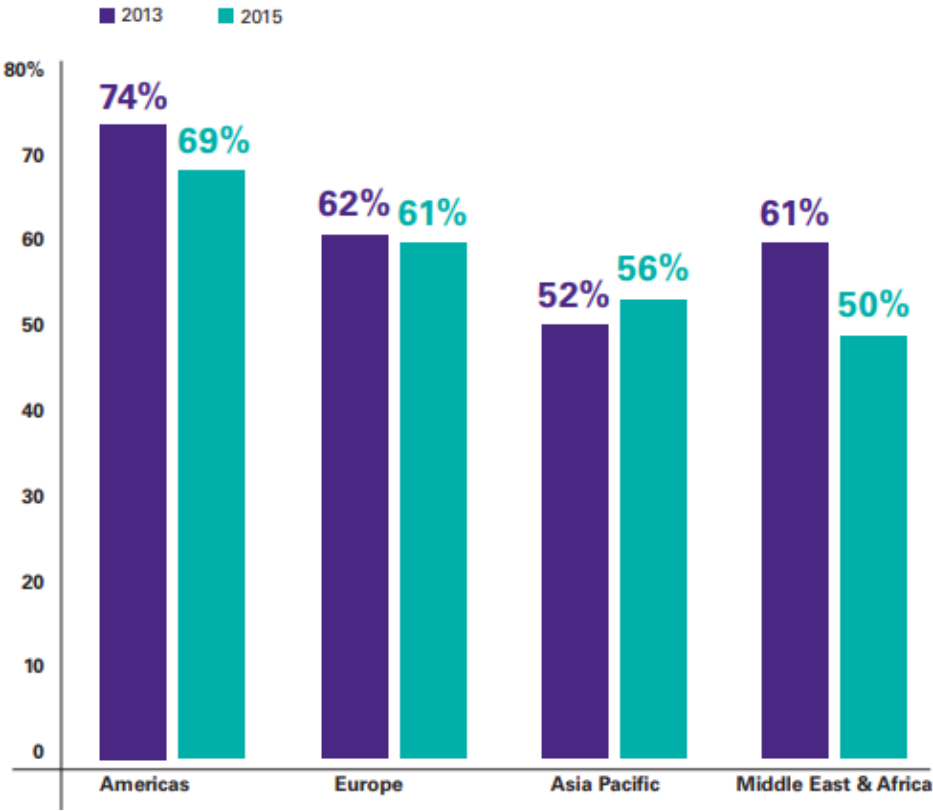
ISO 26000 Guidance on Social Responsibility

ISO 26000 Guidance on Social Responsibility is an initiative of the International Organization for Standardization (ISO) to provide guidance on social responsibility (ISO, 2018). It can be used to assist organizations of all types, in both public and private sectors, in developed and developing countries in their efforts to operate in the socially responsible manner that society increasingly demands (ISO, 2018). “*ISO 26000 contains guidance, not requirements, and therefore will not be for use as a certification standard like ISO 9001:2000 and ISO 14001:2004*” (ISO, 2018). ISO 26000 includes definitions, background, principles and seven core subjects on social responsibility. The seven core subjects contain 37 related issues in organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues and community involvement and development (ISO, 2018; Gradert & Engel, 2015). It guides for organizations with implementation, stakeholder involvement, due diligence and communication on its CSR performance (Gradert & Engel, 2015).

The global CSR standard which is chosen to focus on in this paper is the GRI guidelines for a couple of reasons. First, the GRI Standards remains the most popular voluntary reporting guideline worldwide (KPMG, KPMG Survey of Corporate Responsibility Reporting, 2017). It is used as critical business tools to understand, define and enhance corporate value (KPMG, KPMG Survey of Corporate Responsibility Reporting, 2017). The survey mentioned that GRI framework

is the most common used, with 63% of N100 reports and 25% of G250 companies applying it (KPMG, KPMG Survey of Corporate Responsibility Reporting, 2017). KPMG’s research shows that there was an increase in use of the framework in Asia Pacific where 14 countries show GRI application of over 75% (KPMG, KPMG Survey of Corporate Responsibility Reporting, 2015).

Figure 1.1 GRI reports by region



Source: KPMG Survey of Corporate Responsibility Reporting, 2015, p.42

Secondly, the Standards help organization worldwide understand and communicate their impact on critical sustainability issues including abundant aspects including climate change, human rights, governance and social well-being, which activate certain action to bring social, environmental and economic positive effects to everyone.

1.1.4. Global Reporting Initiative (GRI) Guidelines

Regarding reporting standards, several organizations have built up guidelines and designed formats that firms can adopt to improve their reporting practice. One of the most prominent and widely adopted guidelines is the Global Reporting Initiative (GRI) Guidelines. First introduced in 1997, GRI was transformed from a niche practice to a popular adopted one by a growing majority of organizations.

According to the KPMG Survey of CSR Reporting 2017, 93% of the world’s largest 250 corporations report on their sustainability performance (GRI, 2018). *“The GRI Sustainability Reporting Guidelines (the Guidelines) offer Reporting Principles, Standard Disclosures and an Implementation Manual for the preparation of sustainability reports by organizations, regardless of their size, sector or location. The Guidelines also offer an international reference for all those interested in the disclosure of governance approach and of the environmental, social and economic performance and impacts of organizations. The Guidelines are useful in the preparation of any type of document which requires such disclosure”* (GRI, 2015, p.5). GRI organization works with the largest companies in the world to encourage positive change, impacts on social well-being, environmental issues, child and forced labor, and gender equality in an enormous scale (GRI, 2018). *“In the context of a comprehensive CSR approach it can be seen as strength that GRI guidelines are compatible with the principles of the United Nation Global Compact”* (Isaksson & Steimle, 2009, p8).

GRI Reporting Principles includes two groups: principles for defining report content and principles for defining report quality.

Table 1.1.4a GRI Guidelines - Reporting Principles

Reporting Principles for defining report content	Reporting Principles for defining report quality
<ul style="list-style-type: none"> • Stakeholder Inclusiveness • Sustainability Context • Materiality • Completeness 	<ul style="list-style-type: none"> • Accuracy • Balance • Clarity • Comparability • Reliability • Timeliness

Source: GRI (2016). GRI 101 Foundation 2016, p7

On the one hand, the Reporting Principles for defining report content direct firms to decide the content to include in the report. It involves the organization’s activities, impacts, and the substantive expectations and interests of its stakeholders (GRI, 2016). More specifically, Stakeholder Inclusiveness principle means that the report should identify stakeholders and file the company’s responses to stakeholder expectations and interests; Sustainability Context principle indicates that the report should cover the organization’s performance on the broader sustainability context perspective; Materiality principle points that the report should reflect the organization’s relevant and crucial economic, environmental and social impacts and action which can influence

stakeholders' assessments and decisions; Completeness principle states that the report should provide stakeholders with sufficient coverage of material topics and their boundaries to reflect significant economic, environmental, and social impacts (GRI, 2016).

On the other hand, the Reporting Principles for defining report quality instruct choices to guarantee the quality of information in the reports. The quality of information is essential for stakeholders to make reasonable assessments of an organization, and to take suitable actions (GRI, 2016). Accuracy aspect requires that the reported information need to be accurate and detailed for stakeholders to assess the reporting organization's performance; Balance proposes that the information reflects positive and negative aspects of the organization's performance; Clarity asks for information available in a manner that is understandable and accessible to stakeholders who use that information; Comparability requires that organizations need to consistently select, compile, and report information in a form that allows stakeholders to analyze changes in the organization's performance over time; Reliability states that the processes used in the preparation of the report can be accountable to examination; Timeliness means that organization are asked to report on a regular schedule to present information in time (GRI, 2016).

This GRI guidelines standard was developed following the "triple bottom line" approach by organizing the report into three categories of performances: economic, environmental and social with 33 topic-specific Standards (GRI, 2016). Furthermore, Social Category is divided into four sub-Categories including Labor Practices and Decent Work, Human Rights, Society and Product Responsibility (GRI, 2015).

The economic category focuses on the organization's impacts on the economic conditions of its stakeholders, and economic systems at multiple levels from local, to national and global levels. The environmental dimension concerns the organization's impact on living and non-living natural systems, including land, air, water, and ecosystems. The social category regards the influence of the organization on the social systems within which it operates. The detail of the topics in the report is proposed as following:

Table 1.1.4b Categories and Aspects in the GRI Guidelines

TABLE 1: CATEGORIES AND ASPECTS IN THE GUIDELINES				
Category	Economic		Environmental	
Aspects ^{III}	<ul style="list-style-type: none"> • Economic Performance • Market Presence • Indirect Economic Impacts • Procurement Practices 		<ul style="list-style-type: none"> • Materials • Energy • Water • Biodiversity • Emissions • Effluents and Waste • Products and Services • Compliance • Transport • Overall • Supplier Environmental Assessment • Environmental Grievance Mechanisms 	
Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects ^{III}	<ul style="list-style-type: none"> • Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education • Diversity and Equal Opportunity • Equal Remuneration for Women and Men • Supplier Assessment for Labor Practices • Labor Practices Grievance Mechanisms 	<ul style="list-style-type: none"> • Investment • Non-discrimination • Freedom of Association and Collective Bargaining • Child Labor • Forced or Compulsory Labor • Security Practices • Indigenous Rights • Assessment • Supplier Human Rights Assessment • Human Rights Grievance Mechanisms 	<ul style="list-style-type: none"> • Local Communities • Anti-corruption • Public Policy • Anti-competitive Behavior • Compliance • Supplier Assessment for Impacts on Society • Grievance Mechanisms for Impacts on Society 	<ul style="list-style-type: none"> • Customer Health and Safety • Product and Service Labeling • Marketing Communications • Customer Privacy • Compliance

Source: GRI-G4, 2015, p.9

1.2. Motivation for firms to disclosure CSR information

CSR disclosure is voluntary in nature. Subsequently, the motivations of disclosures are areas for worldwide researchers to discover. Probably, there is no single motivation for making social disclosure. It is usually a combination of economics, political, managerial motivation (Freedman, M. and Stagliano, A.J., 1992). Since there is no single motivation for companies to disclose CSR information, many theories could be considered to explain it. This section will brief some theories which are used to explain CSR disclosure and then clarify the critical motivations that encourage companies do disclose CSR information.

1.2.1. CSR Theories

There are several theories used to explain CSR disclosure, the main ones are the legitimacy theory, institutional theory, resource dependence theory, stakeholder theory

Legitimacy theory

Legitimacy theory is a concept that allows scholars to observe the relationships between other theories (Chen & Roberts, 2010). The theory introduces the concept of legitimacy, which is defined as “a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is part” (Lindblom, 1994, p.2). According to Khan et al., the theory relies on the perception of the social contract in which organizations are operating (Khan et al., 2013). However, legitimacy theory does not address what companies should do to match their actions with the society’s value system in order to achieve legitimacy (Chen & Roberts, 2010).

Lindblom (1994) and Suchman (1995) focus on whether the value system of an organization is conforming to the value system of society, and whether the objective of organizations is to meet social prospect (Lindblom, 1994; Suchman, 1995 cited in Chen & Roberts, 2010). Legitimacy theory, however, does not specify how the congruency could be reached or how the actions should be formulated.

Lindblom (1994) states that a company can use CSR disclosure practice as a tool to establish or maintain legitimacy. Specifically, it has been used to communicate with stakeholders and convince them that the organization has fulfilled its expectations (Khan, 2010). In conclusion, legitimacy theory potentially provides a useful theoretical framework to evaluate CSR disclosure practice (Tran, 2017).

Institutional theory

Institutional theory was developed in 1970s (DiMaggio & Powell, 1983; Meyer & Rowan, 1977 cited in Chen & Roberts, 2010). It is similar to legitimacy theory but emphasizes the interdependent relationship between organizations and environments (Chen & Roberts, 2010). While legitimacy theory itself does not specifically express how to meet social expectation and gain social support, institutional theory strongly emphasizes that organizations can incorporate institutionalized norms and rules to gain stability and enhance survival prospects.

Institutions include regulative, normative and cultural-cognitive elements, together with activities and resources, provide stability and meaning to social life (Scott, 1995 cited in Tran, 2017). According to the theory, social structures in which organizations are operated significantly affect the decision-making process of organizations (Scott, 1995 cited in Tran, 2017).

Institutional theory also shares the central concept of legitimacy (Chen & Roberts, 2010). However, different from legitimacy theory, institutional theory focuses explicitly on the process of obtaining legitimacy and enhancing survival prospects through conforming with social institutions (Chen & Roberts, 2010; Michelon et al., 2016). As a result, this theory is used to explain the differences in CSR characteristics in consideration of firms' local context (Matten & Moon, 2008 cited in Tran, 2017).

Resource dependence theory

Resource dependence theory was developed in 1991 by Barney. The resource-based view of the firm substitutes two alternate assumptions in analyzing sources of competitive advantages (Barney, 1991). The scholar positions the resource-based view relative to Structure Conduct Performance-based theories of competitive advantage, positions this view relative to neo-classical microeconomics, or positions it relative to evolutionary economics (Barney, 1991). In general, these theories share a common emphasis on understanding why some firms can consistently outperform others (Barney J. B., 2001). In his study, the scholar shares a set of assumptions that *"firms within an industry maybe heterogeneous with the respect to the strategic resources they control"* and *"these resources may not be perfectly mobile across firms and thus heterogeneous can be long lasting"* (Barney, 1991, p.101). Finally, it is concluded that *"the resource-based view actually consists of a rich body of related, yet distinct, theoretical tools with which to analyze firm level sources of sustained competitive advantage"* (Barney J. B., 2001, p.649).

Supporting for Barney (1991) and Barney (2001) studies, Chen & Roberts states that organizations must engage in exchanges and transactions with other entities for various resources (Chen & Roberts, 2010). They mentioned that the resource dependence theory emphasizes how organizations access to vital resources for survival and growth when they rely on their environment for existence (Chen & Roberts, 2010).

The theory shows a crucial difference from the institutional theory that the resource dependent theory allows organizations to be critical, robust and proactive entities to make strategic decisions while the institutional theory employs institutionalized organizations in

general (Chen and Roberts, 2010). It is also different from legitimacy theory that instead of stressing on the avoidance of any threat to a firms' legitimacy, the theory focuses on the impact of legitimacy as an essential resource for an organization (Chen & Roberts, 2010).

Stakeholder theory

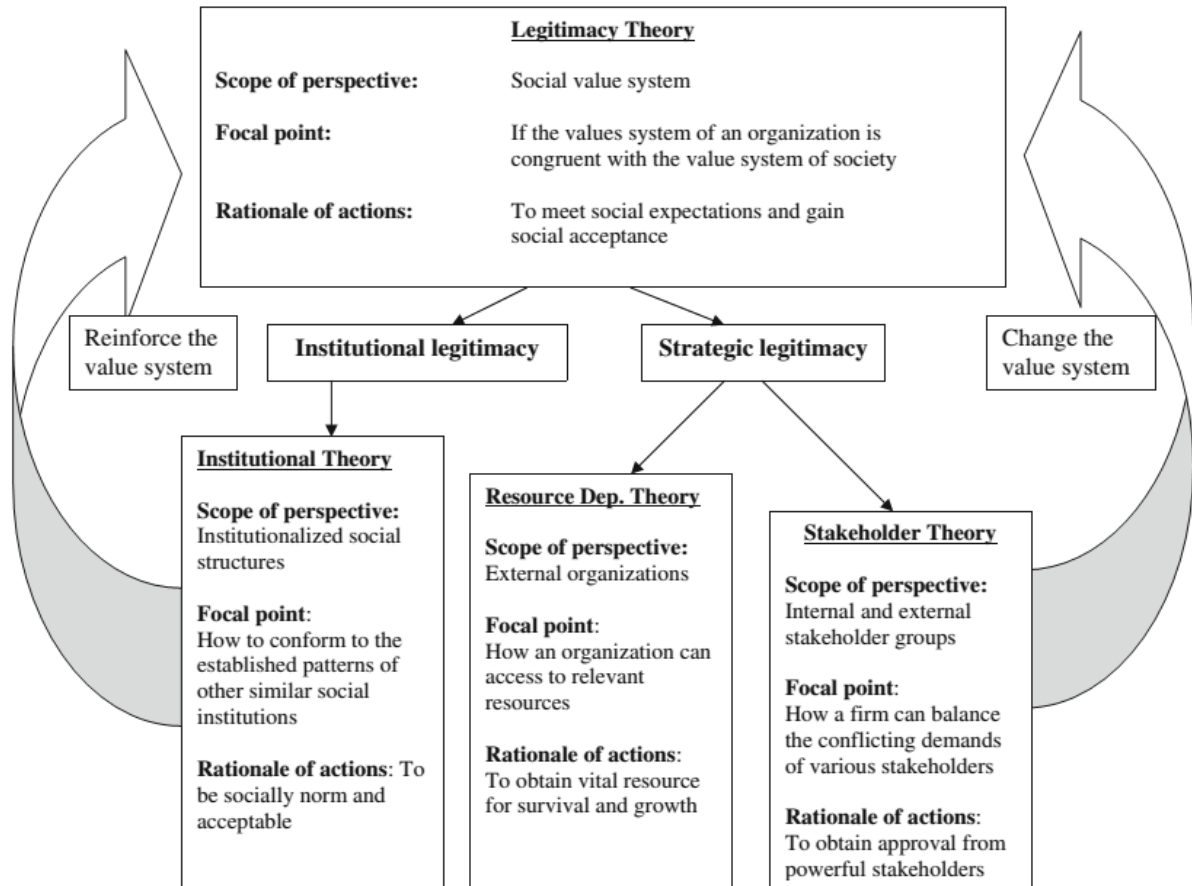
Stakeholder theory also concerns with the effect of environment on organizations (Freeman, 1984). Nevertheless, stakeholder theory emphasizes the relationships between organizations and its stakeholders who constitute the environment, which is different from the other theories considering the environment as a whole (Chen & Roberts, 2010). From a strategic management point of view, Freeman (1984) says that managers have to understand the requirements and concerns of stakeholder in order to receive the necessary support for the continued survival of the firm. The stakeholder theory also emphasizes the willingness to communicate and compromise as an essential solution to stakeholders' approval and support (Freeman, 1984).

Stakeholder theory dominates in CSR literature as CSR activities (Anas et al., 2015 cited in Tran, 2017) which is coordinated with the stakeholder perspective that a company's objectives should go beyond its responsibility to shareholders and direct the stakeholders' demands (Lawrence & Weber, 2011 and Tan et al., 2016 cited in Tran, 2017).

Stakeholder theory has been applied to explain firms' motivations in involving in and disclosing CSR information (Chan et al., 2014 and Janguu et al., 2007 cited in Tran, 2017).

In this study, the author lens is mostly based on legitimacy theory and stakeholder theory for a couple of reasons. First, both theories are considered prominent theories within social and environmental accounting research (Chen & Roberts, 2010). Secondly, legitimacy theory and stakeholder theory are not two distinct but overlapping theories which are different in their approach (Gray et al., 1995, Chen & Roberts, 2010)

Figure 1.2.1 The relationship among the theories in explaining CSR disclosure.



Source: Chen & Roberts (2010, p.653)

1.2.2. Motivation of CSR disclosure

Many researchers have used legitimacy theory as a framework to analyze CSR disclosure practice. Deegan (2002) suggests that firms need to be legitimate if they want to be successful. In contrast, they will be penalized if they do not operate in a manner consistent with community expectations.

Stakeholders include different people and interest groups who have some involvement with the organization. These include stockholders, shareholders, customers, creditors, banks, suppliers, employees, governments, tax authorities and others (Roberts, 1992; Price, 2004 cited in Azim, 2008). Besides, a different socio-political environment, political regimes, legal systems, and cultural influences create significant influence on the applicability of these theories (Carol, 2016).

Since both internally and externally stakeholders ask to be informed about firms' CSR activities by appropriate communication tools, CSR report *"can help to bring a systematic approach into the management of socially responsible activities, identify future risks and opportunities and thereby contribute to increasing the competitiveness of business and maintain the possibility for long-term business venture"* (Moravcikova et al., 2015, p.1). It provides corporate information for different types of stakeholders who entirely or partially engage in the decision-making process (Moravcikova et al., 2015). In detail, both large multinational companies and small and medium-sized enterprises should present to the public comprehensive reports related to sustainability under the CSR concept beyond the regular annual reports. This communication has brought good reputation, prestige, demonstration of efficient and aware management to companies (Franc, 2006 cited in Moravcikova et al., 2015).

From above statement, it can be concluded that CSR disclosure is not only a means of accomplishing or enhancing corporate governance but also as a measurable and concrete way to enhance shareholder value (Griffin, 2013). Belal & Owen (2007) and Tsang (1998) propose that in order to upgrade corporate reputation, organize influential stakeholders, maintain competitive advantages and legitimate the corporate activities to the society, firms disclose CSR practices. Agreeing with mentioned researchers, by the statistical studies, Isnalita (2017) states that in the industrial sector, a higher the market share could be obtained when companies practice a broader CSR disclosure. *"Corporate reputation also is a fundamental intangible element in the generation of competitive advantages for the organization"* (Neville et al., 2005, p.337 cited in Nagib et al., 2012). Disclosing CSR, thus, enhances corporate reputation whereas non-disclosing CSR destroys corporate reputation for a firm because CSR creates a good image that a firm is reliable and honest and builds a reservoir of goodwill that firms can draw upon in times of crisis (Bhattacharya et al., 2003; McWilliams et al., 2001 cited in Rettab et al. 2009). Moreover, CSR disclosure is necessary to solve problems or enhance corporate legitimacy (Neu et al., 1998 cited in Michelin et al., 2014). It is also stated that improving corporate legitimacy is the primary motivation for a company to adopt sustainability reporting (O'Dwyer's, 2002 cited in Grahovar, 2010; Matthew 2004).

In conclusion, CSR disclosure could be a part of a company's strategy. If companies can communicate their social and environmental work, they can receive various advantages supporting their business. These companies could recover faster from the crisis than others since

consumers tend to keep using products or services from a good CSR reputation enterprise (Grahovar 2010).

CHAPTER 2: CSR DISCLOSURE DIMENSIONS

Despite an emerging interest in CSR in developing countries, CSR practice and CSR disclosure are still new aspects and are not received an adequate concern from worldwide researchers. In addition, since the different stages of economic development together with cultural and other national differences have a strong influence on CSR disclosure, it would be dangerous to generalize the results of studies on developed nations to newly develop and developing countries (Tsang, 1998). Thus, this chapter is designed to review the similarity and dissimilarity in CSR disclosure determinants in country level and firm level with the focus on developing countries.

With the increasing attention of CSR Disclosure throughout recent decades, researchers have attempted to investigate the nature, patterns, and determinants of CSR disclosure.

Gray et al. (1995) argue that corporate social and environmental reporting determinants may be explained through three main broad groups of theories, focused on organization-society information flows: decision-usefulness theory, economic theory, and social and political theory. Firstly, decision usefulness theory which is originated in the mid-20th century considers accounting as a process of providing relevant, useful information for investors to make decisions (Gray et al., 2001). The decision-usefulness has had the potentially significant effect of raising the visibility of non-financial, non-economic factors in organizational reporting and accountability (Gray et al., 1995). Therefore, it has given potential to other voices and other discourses which typically are not privileged in accounting research (Arrington, 1990; Cooper and Sherer, 1984 cited in Gray et al., 1995). Secondly, economic theory states that the social disclosure release can be used to reduce the asymmetric information between the management and other users of that information (Gray et al., 1995). Agency costs, thus, would be lower and this may improve enterprise performance (Gray et al., 1995; Mathuva & Kiweu, 2016). Lastly, social and political theory is based on stakeholder and legitimacy theories (Gray et al., 1995; Mathuva & Kiweu, 2016). Following this, the critical reason of CSR and its disclosures existence is not only economical but also social and political issues (Orij, 2007).

Sharing a different opinion, Holder-Webb et al. (2009) suggest four main theoretical streams as main reference frameworks to understand the why of CSR activity and CSR disclosures, include neo-classical economics, studies on marketing strategy, political economy, and institutional theory. Neo-classical economics approach suggests that “managers should apply net present value analysis to all potential CSR activities and take only the actions that result in a positive NPV and, thus, increase shareholder wealth” (Bird et al., 2007 cited in Holder-Webb et al., 2009, p3). The disclosure, thus, should take place through the channels to which shareholders are accustomed since the shareholder is considered as the only stakeholder of significant interest (Holder-Webb et al., 2009); Marketing strategy approach suggests that the marketing oriented activity are a strategic tool to frame and maintain customer loyalty and market share. CSR disclosure targets the existing customers and the public with a general interest and its content need to conform to customer values (Holder-Webb et al., 2009); In the political economy approach, the firm is considered to interact with its economic and social context. CSR activity and the disclosure are elements of the progressing communication process required in order to

initiate and maintain the support and approval of its stakeholder (Holder-Webb et al., 2009); Institutional theory suggests that CSR disclosure may be used to prevent undesirable regulation, or to emphasize what the corporation is doing well while softening what it is not (Holder-Webb et al., 2009). In general, they state: *“The choice of broad theoretical framework depends on whether the researcher approaches the question of CSR from an economic or an ethical standpoint”* (Holder-Webb et al., 2009, p3).

Agree upon above researchers, a scholar states that “CSR drivers have been studied in the context of political economy theory, stakeholder theory, legitimacy theory, (Mohammad, 2010) economic theory, and institutional theory” (Songini, 2013, p9). These differences are shown as the table below:

Table 2.0 Comparison of CSR related theories

Theory	Internal Determinants	External Determinants
Legitimacy Theory	X	X
Institutional Theory		X
Resource Dependence Theory	X	
Stakeholder Theory	X	

Source: Author’s elaboration

Regardless the theories, CSR Disclosure determinants can be divided into two main categories: external determinants or contextual factors, consisting of political, economic, social, technological environmental and legal system (Gray, 2005; Mohammad, 2010; Tran, 2017; Coluccia, 2018) and internal determinants which are linked to firms’ characteristics and board of director’s characteristics (Roberts, 1992; Giannarakis, 2014; Gray, 2005; Songin, 2013). In brief, Songini (2013) states “External factors come from the environment outside the firm and comprise practices followed by competitors in the same industry, particular code of conducts of the related industry, legislative recommendations, legal and regulatory framework of the country, national business system, pressures coming from financial markets, SRI, opinions groups, and media” while “internal determinants of CSR and CSR disclosure are linked to specific firms’ characteristics, such as company values, objectives, and strategies; the relevance given to various stakeholders; top management values and commitment; and kind of ownership” (Songini, 2013, p.16). These factors can bring both positive and negative effects to CSR disclosure.

Developing countries

A developing country, also called as a less-developed country, is a nation with a lower living standard, more underdeveloped industrial base, and lower Human Development Index (HDI) than other countries (Al-Nasrawi, S. & Zoughbi, S., 2015). However, this definition is not universally agreed. A nation's GDP per capita compared with other nations can be a reference point. In 2016, the World Bank eliminated the words “developed” countries and “developing” ones in the presentation of its data and have used 4 different terms to classify economies including low-income economies, lower-middle-income economies, upper-middle-income economies and high-income economies. In which, the first two groups are those with a GNI per capita (GNI per capita is gross national income divided by mid-year population) less than \$3,895 (World Bank Group, 2014). It distributes mostly in South Asia, the Middle East, and North Africa, Latin America & the Caribbean. In the contrary, the upper-middle-income economies and high-income economies are nations in North America, Europe, and Central Asia (World Bank Group, 2014)

Similarly, the International Monetary Fund (IMF) use the words “advanced” and “emerging” market economies instead of “developing countries” to respect the most developed and less developed economies. As “Standard Country or Area Codes for Statistical Use” published by the United Nations (UN), there is no established definition for the designation of “developed” and “developing” countries. However, “developing countries” is labeled on 159 nations. In common practice, Japan in Asia, Canada, and the United States in northern America, Australia and New Zealand in Oceania and Europe are considered “developed” regions or areas while other nations are treated as “developing countries” (United Nations, 1982). Following this view, the World Economic Outlook categorizes **advanced versus emerging markets** and developing economies base on per capita income level, export diversification and degree of integration into the global financial system (IMF, 2016). The World Economic Situation and Prospects organization (WESP) classifies all countries of the world into one of three broad categories: developed economies, economies in transition and developing economies. Geographical regions for developing economies are as follows: Africa, East Asia, South Asia, Western Asia, and Latin America and the Caribbean (United Nations, 2016)

Despite different names, these countries belong to such these terms tend to share some common characteristics. For instance, with regards to health risks, they commonly have low levels of access to safe drinking water, sanitation, and hygiene; energy poverty; high levels of

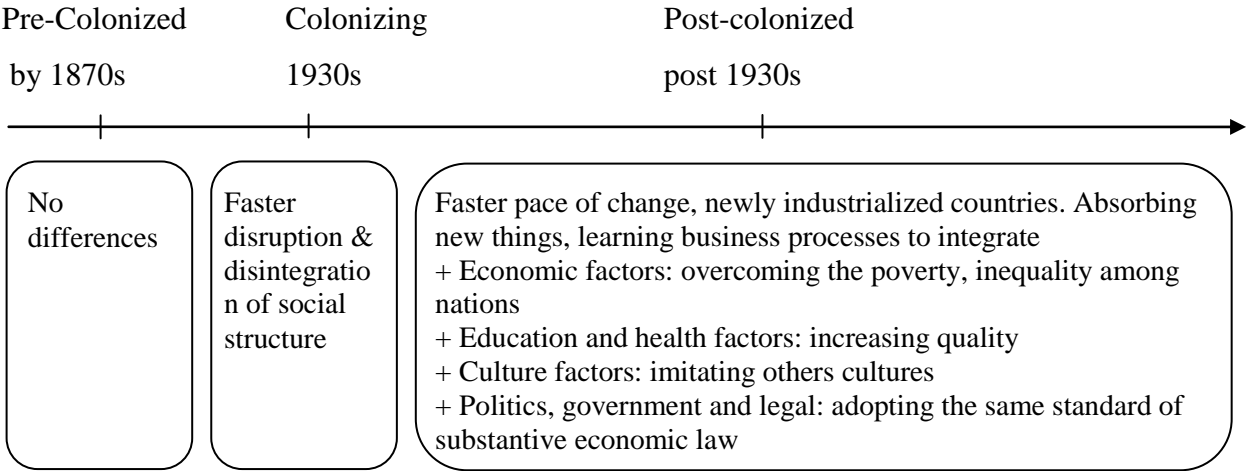
pollution; a high proportion of people with tropical and infectious diseases; a high number of road traffic accidents. There is also widespread poverty, low education levels, inadequate access to family planning services, corruption at all government levels and a lack of so-called good governance, more severe effects of global warming. In this paper, the author uses one term “developing countries” to indicate low-income economies, frontier markets, emerging markets, economies in transition.

As many developing countries were colonized in the first half of the last century, colonialism influenced these countries. Colonialism impacted both positively and negatively all aspects of socio-economic development. Uddin et al. (2016), suggest that colonial regimes had a visible role in shaping domestic regulatory regimes. The research of Ziltener & Kunzler (2013), besides, shows the differences between the socio-economic development in colonized and non-colonized areas that “*The (few) non-colonized areas in Africa and Asia experienced less intensive modes of integration into the world economy, a slower disruption and disintegration of the traditional social structures, all in all, a slower pace of change compared to colonial economies*” (Ziltener & Kunzler, 2013, p.17). During the last three decades, many developing countries have become newly industrialized countries and emerging markets attracting investments from developed nations. In this period, they absorbed new things, equipped themselves with advanced technology and employ non-economic factors which support the development. They have been learning, updating business processes, business ethics, correcting themselves to be ready to integrate with the whole world while keeping and maintaining their own culture and governance systems in some aspects.

Indeed, the concept of development includes both economic and non-economic factors (Szirmai, 2005). Regarding economic factors, during the integrating process, developing countries are gaining economic growth, overcoming the poverty problems, receiving a significant amount of resources by the developed nations. However, there is an increasing inequality among nations. There are many nations growth strongly while some of them lag behind such as many countries in Africa. In addition, developed countries take advantages of low wages and loose regulations, which cause many negative effects on the environment and social life when they set up their companies and industries in developing nations. Regarding education and health factors, the education quality, living standards, life expectancy have been increasing in developing nations (World Bank Staff, 2004). Next, as for culture factors, many developing countries cultures have been changed through colonized time and became imitate others cultures such as

America and European countries, which might destroy their own culture, traditions, identity, customs, and their language but also bring them other perceptions on life issues. Last but not least, as for politics, government and legal system, recent development has made countries around the world to adopt more or less the same standard of substantive economic law.

Figure 2.0 Development Process in colonized countries



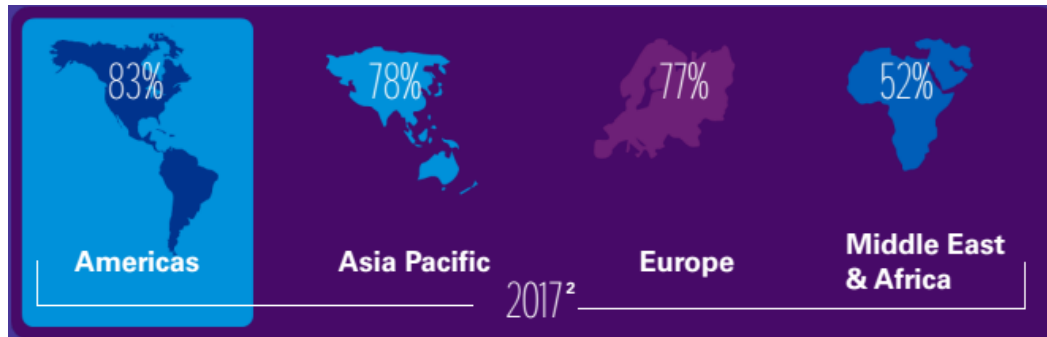
Source: Author's elaboration

2.1. External or Country-level determinants of CSR disclosure

According to the GRI database, the number of CSR reports has increased significantly with 48,513 reports of listed firms worldwide were published until 2017, increased rapidly to approximately 63.6% in comparison with 17,679 reports in 2012. CSR reports distribute differently across regions with nearly 40% of published CSR disclosure on the database was from European, 30% from Asia, 11% from Northern America, only 6% from Africa (GRI, 2017).

Regarding KPMG survey of CSR Reporting, Reporting in Latin America grows, in Eastern Europe catches up, in Americas region has raised by 6% in the last two years, Asia Pacific region becomes the leading region. Several countries with the highest corporate responsibility reporting rates in the world, such as Japan, India, Malaysia, and Taiwan are in the Asia Pacific region (KPMG, 2017). Corporate responsibility reporting rates by region in 2017 are illustrated in the following graph:

Figure 2.1 Corporate responsibility reporting rates by region in 2017



Source: KPMG Survey of Corporate Responsibility Reporting 2017, p11

These numbers illustrate the distinction between concerns of CSR reports from the different areas. CSR is “believed to have the potential of promoting equality, social justice, transparency and accountability by holding business organizations to account (Belal, 2008, p.7 cited in Belal & Momin, 2009) while in some of emerging economies, poverty, human right violations, corruptions, inequalities and social exploitation are widespread (Belal & Momin, 2009) Moreover, CSR and CSR disclosure studies on developed nations cannot be fully applied in developing nations (Tsang, 1998). Explicitly, in a study of 150 companies in the US, UK, and Australia, it is said that 85% of US, 98% of UK, and 56% of Australian companies made some social disclosures in their annual reports while in the context of emerging economies, only 30% of Malaysian, within 100 public companies which were studied, have some social reporting (Guthrie & Parker, 1990; Jamil et al., 2004 cited in M. Azim, 2008). Therefore, it could be concluded that although all countries could share some similarities in CSR disclosure due to a regular understanding regarding its role, value, and format, they could display a couple of separated variables as the result of different contextual factors.

2.1.1. Political and Legal Dimension

El Ghouli et al. (El Ghouli et al., 2017 cited in Coluccia, 2018) clarifies that the value implication of CSR is more considerable in countries with weak institutions and more laissez-faire governments. Some scholars find that the strength of national-level institutions is positively and significantly related to CSR disclosure (Cahan et al., 2016 cited in Coluccia, 2018). It can be understood that the stronger is the enforcement, the higher is the level of CSR disclosure. Furthermore, they also find that companies in countries with the higher long-term orientation,

cultural values of collectivism, feminism and uncertainty avoidance are more sensitive to publishing CSR reports. (Cahan et al., 2016 cited in Coluccia, 2018).

Political system

As for political systems, Goodrich (1986) claimed that political factors are significantly linked to accounting practices. Following this concept, many researchers document that the political conditions are one of the crucial external factors used in earlier research to explain the differences in corporate disclosures among firms belonging to different countries (Adams and Harte, 1998; Williams, 1999; Adams, 2002; Orij, 2010 cited in Coluccia et al., 2018). Since the political system is a central factor in the institutional context in which organizations operate, it shapes corporate conduct. Goodrich (1986) documents that firms in a higher level of democracy tend to disclose more information. In conclusion, Goodrich, (1986); Williams, (1999); Adams, (2002), anticipate that the political factor can represent a driver of CSR disclosure and practices, and then it can reflect either positively or negatively the level of CSR disclosure of firms in a country. In addition, a stable government is a guarantee for companies that operate in a “safe” environment.

Although there are many studies made about CSR disclosure under capitalist systems, only a little researcher looking at CSR disclosure in socialist or communist countries, which are usually also developing countries. There are few studies undertaken in China, Malaysia or Hong Kong, which apply the same conceptual frameworks of studies related to firms in Western studies (Carol, 2016).

State owned enterprises

Ideology is a set of shared beliefs shared by a group of people and is “the fundamental social beliefs that organize and control the social representations of groups and their members” (Van Dijk, 2009 cited in Carol, 2016). Countries such as China and Vietnam illustrate the influence of ideology, and hegemonic approaches on CSR disclosure. First, in these countries, the party exerts shareholder power over state-owned enterprises (SOEs). The party exercises power over the appointment of the senior leadership in SOEs, which led to the fact that these leaders care more about pleasing their party bosses than about the global market (Landry, 2008; Economist T, 2012 cited in Carol, 2016). Second, the Parties influence business decisions, which indirectly affect CSR disclosure practices.

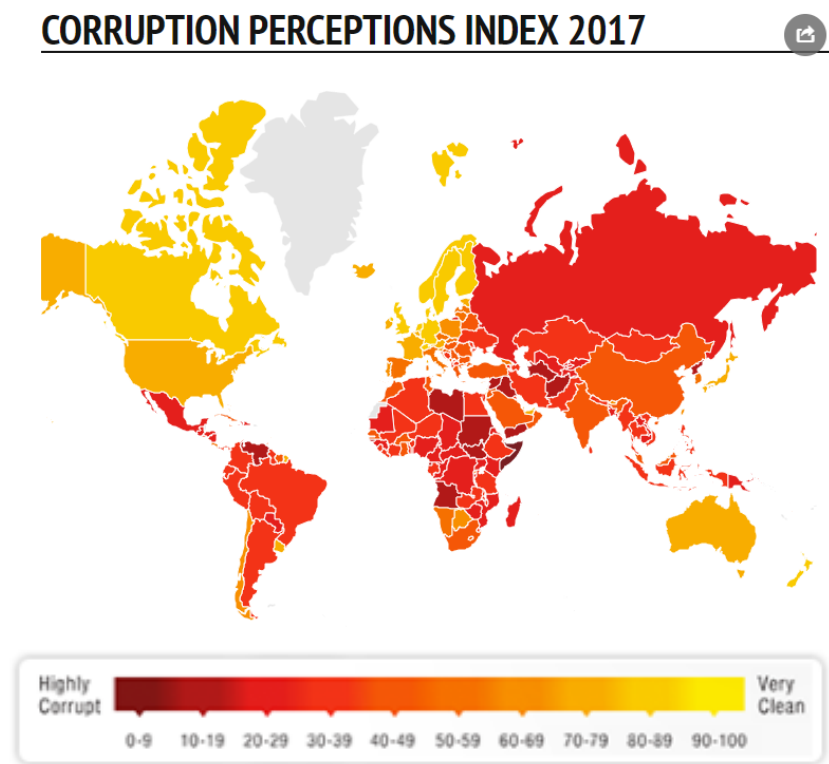
Transition period from (only) domestic markets to (also) foreign markets

However, during the transition time from closed economies to opened economies, firms involved more with foreign trading partners and markets. Therefore, “*their reporting activity is also influenced by foreign and global organizations, leading to potential tension between demonstrating commitment to state ideological goals and meeting the requirements of global stakeholders*” (Carol, 2016).

Corruption

Corruption is a serious concern all over the world, and it indirectly affects socio-economic feature in various ways. The last decade has seen a very significant increase in the international policy community’s interest in corruption. In 2017 Corruption Perception Index, Transparency International Organization highlights that the majority of countries are making little or no progress in ending corruption (TIO, 2018). Specifically, more than 66% of countries score below 50 (0 is highly corrupt and 100 is very clean).

Figure 2.1.1 – Corruption Perceptions Index 2017 Worldwide



Source: 2018 Transparency International (TIO, 2018)

The best performing region is Western Europe with an average score of 66. The worst performing regions are Sub-Saharan Africa (average score 32) and Eastern Europe and Central Asia (average score 34). In another word, corruption level is higher in developing nations.

Conventions, Strategies, Actions against corruption have been organized worldwide namely as OECD Anti-Bribery Convention, UN convention, World Bank Governance and Anticorruption (GAC) Strategy, US Foreign Corrupt Practices Action. Olken & Pande (2012) find that corruption is often high and costly in developing countries while its appearance is fewer in wealthier countries. As their study, corruption impacts on government provisions of goods and services; correcting externalities; firms and individuals. It is documented that corruption existence decreases the effectiveness of the law; negative impacts on firm decisions, for example, avoid tax responsibility; increases the additional cost of individuals. In another research on CSR disclosure in South East Asia region, Tran (2017) indicates that the prominent level of corruption in all studied countries except Singapore makes it more difficult to carry out government regulations effectively. In the analysis of CSR and sustainability reports from 1995 to 2010 for two multi-national companies, Dissanayake et al. find that disclosures on combatting bribery tend to increase in the later years. (Dissanayake et al., 2011 cited in C. Joseph et al., 2016). In the same research, C. Joseph et al., 2016 shows that CSR prevents and controls corporate corruption in two ways which are “*extrinsic regulations that emphasize surveillance and penalty, and intrinsic motivations that emphasize integrity and self-monitoring*”. It is concluded that the effectiveness of corporate corruption prevention is solidly based on the extent to which a company commits to social responsibilities. Healy, P et al., (2014) study corruption level of 400 corporations and find that firms with abnormally high anti-corruption ratings have a lower frequency of subsequent statements of corruption in the media.

Voice and Accountability

In The World Bank 2010 Governance Indicators, “voice and accountability” captures “perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media” (The World Bank Governance Indicator, 2010). In this sense, this variable reflects democracy degree and freedoms level. Since a liberal context can drive higher non-financial and social disclosures (Simnett et al. cited in Coluccia, 2018), firms tend to commit more to CSR disclosures in

countries with higher levels of democracy than those which operate in a restricted or unstable context (De Villiers & Marques, 2016).

Legal/ Regulations

In the last two decades, the legal system also has been attracting interest by accounting literature, in country-level researches. Legal system plays a central role in accounting practices, especially on voluntary disclosure. *“It can be argued that in a context characterized by stronger legal systems, the implementation of legal accounting provisions may lead firms to pay more attention to finding a deeper level of organizational commitment. Consequently, corporate voluntary reporting could reflect the implementation of such voluntary commitments, in the sense that corporate voluntary disclosure belongs to the existence of a strong and stable legal system”* (Coluccia, 2018). Ball et al. (2000) find that civil-law systems are more stakeholder-oriented than common-law systems.

Although mandatory CSR disclosure pushes companies to disclose its activities, firms could adopt the minimum level requested by law to be in line with the regulatory obligations. Therefore, it is not possible to conclude that the mandatory CSR disclosure produces its improvement (Kolk & Perego, 2010 cited it Coluccia, 2018). Some scholars found that enterprises operating within legal contexts will have a more responsible attitude towards CSR than enterprises conducting with weaker and unstable legal systems (Williams, 1999; Orij, 2010). Furthermore, the lack of accounting regulation regarding CSR is used to explain the absence of CSR disclosure (De Villiers, 2003; Momin & Parker, 2013 cited it Coluccia, 2018).

In respect of developing countries, the role of government in CSR development, specifically in Southeast Asian countries, has increased in recent years with more countries considering mandatory CSR and CSR disclosure (Claudia et al., 2018). According to the study of Asia-Pacific Economic Cooperation (APEC, 2005), some countries in South East Asia, such as Indonesia, Malaysia and Philippines, are proactive in creating a regulative environment to ensure corporations consider its impact on the society and environment, while other governments, such as Singapore, CSR is promoted through guidelines and principles alongside diverse public, private, industrial and NGO initiatives. In detail, Malaysia, Indonesia, and the Philippines already applied mandatory CSR disclosure in 2006, 2007 and 2011, respectively. In the case of Vietnam, until 2015, the Ministry of Finance released the Circular No. 155/2015/TT-BTC on Public Disclosure for listed companies, requiring disclosing information on securities markets (Tran,

2017). Claudia et al., (2018) stated that legitimacy factors are driving CSR reporting in SEA region. Their result is partially in line with other earlier studies which find regulations to have impacts on disclosure (Frost, 2007; Chauvey et al., 2015; Costa et al., 2016 cited in Claudia et al., 2018).

In other developing nations, such as in the Africa area, this trend is similar where more Nigerian, South African, and Bangladesh organizations disclose CSR practices (Araniyar C. Isukul et al., 2017; (de Villiers, C., & Alexander, D., 2014). More specifically, partnership between the central bank of Bangladesh and the International Finance Corporation on climate change to encourage commercial banks to engage with environmentally friendly projects (The Financial Express 2009); Tanzanian Companies Act 2002; 2003 Code of Conduct for Corporate Governance or 2007 Code of Conduct for Shareholders Association in Nigeria; King IV Report (2016) particular emphasis on enhancing accountability through disclosure of executive remunerations in South African (Araniyar et al., 2017, Lauwo, 2016) apparently evidence that government of these countries has been raising awareness about mandatory CSR disclosure.

In his research, de Villiers, C., & Alexander, D., (2014) state that organizations in developing countries publish voluntary CSR information in order to ensure their legitimacy but then reduce their publication levels if they perceive that their relevant publics are not requiring the level of disclosure that they initially made. His study also concludes that African companies seem to find specific disclosures more threatening and will decrease these when they perceive that these are potentially more damaging than helpful to maintain legitimacy.

In general, it is claimed that when companies operate in countries with higher levels of democracy, a better environment for investors, higher quality regulations and more press freedom, it is more likely to disclose CSR information (Coluccia, 2018). These factors are lower in developing societies, draw to the lower level of CSR disclosure in both quantity and quality).

Public pressure

According to legitimacy theory, companies respond to public pressure to disclose information about their activity. Moreover, differences in the cultural public pressure result in dissimilar CSR disclosure. Supporting to this thought, several scholars argue that companies in countries with a higher public pressure for CSR, with a cultural system oriented to CSR, disclose more voluntary information on their operation (Garcia-Sanchez et al., 2016; Kolk and Perego, 2010 cited in Coluccia, 2018, Shnayder et al., 2016). Public pressure on social, environmental issue is lower in developing nations, leading to a lower level of CSR reporting.

2.1.2. Economic Dimension

Since **competition** fosters economic welfare and makes markets work for development (World Bank, 2019), different levels of competitions are going on different markets. Various markets in developing countries do not yet fully benefit from healthy and effective competition (World Bank, 2019). Moreover, their government interventions also often fail to provide firms with the right incentives to compete (World Bank, 2019). Although competition laws were enacted in more than 100 countries, anticompetitive practices continue, especially in developing countries (World Bank, 2019). Consequently, when competition is weak, companies will reduce their incentives to engage in CSR activities (Macaulay, 1965 cited in Coluccia, 2018). Some scholars conclude that companies in developed countries reach a higher level of disclosure than in the developing ones.

Following this, various studies focus on the link between CSR disclosure and the development of the **equity market** and they point out that the higher level this factor reaches, the stronger pressures on giving more voluntary disclosure companies have to face (Gray et al., 1984 cited in Coluccia, 2018). Specifically, about their connection, scholars find out that CSR information disclosed by listed companies is essential way to transfer non-financial information to the stock market, which affects the level of stock price synchronicity (Dai et al, 2018). Moreover, equity market liquidity improves as firms increase their CSR disclosure transparency (Egginton, J. F., & McBrayer, G. A.). In another word, CSR disclosure transparency leads to reductions in asymmetric information, ultimately making financial markets more equitable (Egginton, J. F., & McBrayer, G. A.). Conversely, equity market has a positive influence on CSR disclosure that when there is a higher pressure from the market, listed companies need to follow the regulation in order to have the competitive advantages. Thus, although the CSR disclosure is not mandatory in many developing countries, listed companies in such countries have incentive to disclose their information.

Another economic factor has been analyzed in literature is the country's **market structure**, which reflects the presence of international firms, number of state-owned enterprises and number of NGOs. In countries with a high quantity of big and **international** companies, the pressure to reveal CSR disclosure is stronger than in countries with small or medium enterprises as in developing countries. When a big or a multinational company (MNC) operates in a country, it has to commit to different regulatory systems in order to avoid typical and conflicting requirements in other countries (Marano & Kostova, 2016 cited in Coluccia, 2018). It can be understood that

MNCs subsidiaries in developed countries will find themselves in a more complicated CSR concept than its in their home markets (Jamali, 2010; Jamali and Mirshak, 2010; McWilliams et al., 2006; Rodriguez et al., 2006 cited in Yin et al., 2016). Although MNCs do not always behave responsibly in emerging countries, it empowers the legitimacy of CSR Codes (Levis, 2006). Since MNCs play positive roles in an economy (Scherer et al. 2006, 2009 cited in Shahzad, 2016), their adoption of a higher standard of disclosure motivates the local firm to be compliant to regulator's systems.

Additionally, in many developing countries, including the Southeast Asian countries such as Malaysia, Indonesia, and Vietnam, there is still a high number of state-owned enterprises located in primary sectors such as oil, mining, gas or energy; these enterprises could contribute to setting the benchmark towards sustainable practices.

Last but not least, NGOs, national and international standards, together with private initiatives or industrial associations are essential enablers of CSR practices in developing countries. These institutions propose higher standards codes and guidelines to enterprises create a learning platform for the understanding of CSR. The presence of these indexes and standards such as GRI have pressured and encouraged firms to involve actively in CSR disclosure (Tran, 2017).

Characteristics of stock exchange market

Haniffa and Cooke (2005) review the variation between listing in Malaysian firms states that there is a lack of rules and regulations regarding CSR disclosures and low level of public awareness concerning to such issue. As a result, firms listed in emerging market might disclose less CSR information comparing to firms listed in the latter context.

Power of trade unions

Since business relationships are more sophisticated when stakeholder awareness is increasing, companies need to develop strong empathy and considerateness for their clients and adopt the more modern philosophy from Western countries in order to survive (Minkov, 2011). In another aspect, companies' activity could be affected by the power of trade unions, which pressures firms to enhance their social activity. (Inglehart, R., & Welzel, C., 2010) demonstrated that people in richer countries are more likely to get organized for collective action. The lack and weakness of labor unions or similar association in developing nations drive to the low level of CSR practice or CSR disclosure regarding workers' benefits.

2.1.3. Social, Cultural Dimension

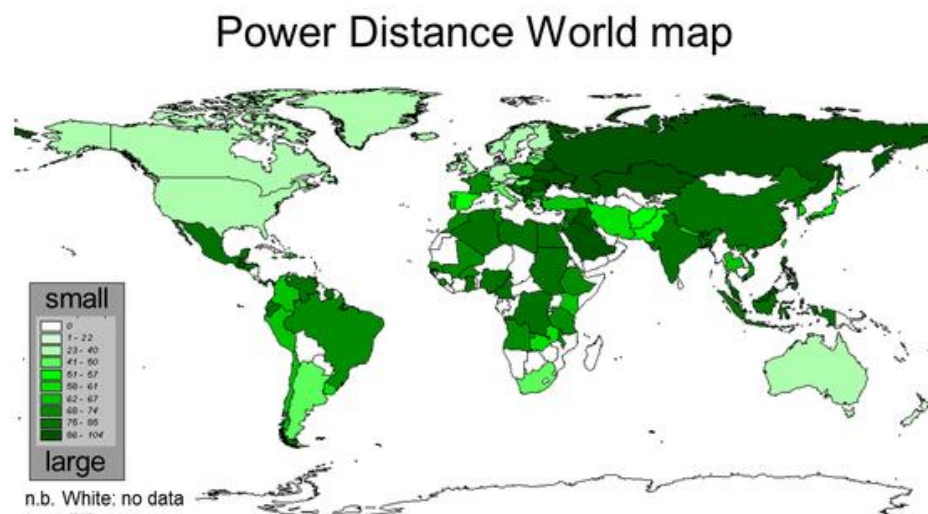
Culture may have an important role in determining organizations behavior and ethical decision-making process concerning financial and non-financial reporting (Robertson, 1999). Since a firm's survival relies on its relationship with stakeholders (Freeman, 1984), its behavior needs to be adjusted to match its stakeholder value. With different education systems, religions, cultural norms, people and also firms in developing countries behave differently.

Tsang (1998) states in his study that social-economic problems and their impacts were the categories which have the biggest numbers of disclosures. Therefore, clearly understanding the social-cultural context is essential to explain CSR disclosure.

Geert Hofstede, a well-known Dutch social psychologist developed a comprehensive theory framework for cross-cultural communication. According to him, society consists of 6 dimensions: power distance; uncertainty avoidance; individualism versus collectivism; masculinity versus femininity; long-term versus short-term orientation; and indulgence versus self-restraint (Hofstede, 2011).

Power distance is the willingness of a culture to accept status and power differences among its people. In the societies with low PDI, people are likely to expect that power is distributed equally, and that power is distributed to less powerful individuals. In the contrary, people in high PDI cultures will likely expect and accept inequality and steep hierarchies (Hofstede, 2001).

Figure 2.1.3a Power Distance World Map



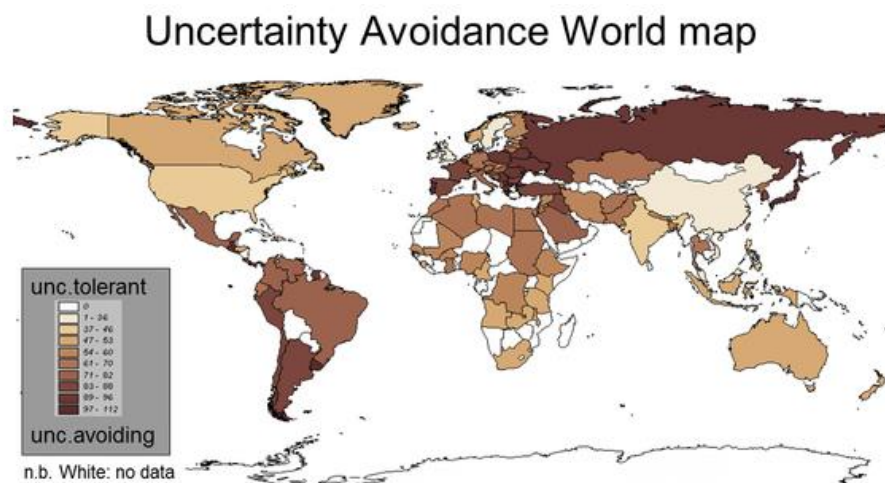
Source: Hofstede Insight, 2018a

The map shows very high scores for Latin, Asian, African countries and low scores for Anglo and Germanic countries (Hofstede, 2018a), which can be implied that people in many developing countries are more willing to accept the power differences of individual. Hence, the laws or regulations issued by legislators are easier to be followed. This aspect strongly related to political-legal dimension that it has effects on CSR disclosure.

The dimension called **Uncertainty Avoidance (UAI)** refers to “*the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity*” (Hofstede, 2018b, page 1). In societies with high degree of uncertainty avoidance, people are likely to feel uncomfortable in uncertain and ambiguous situations. People living in cultures with a low degree of uncertainty avoidance, are likely to thrive in more uncertain and ambiguous situations and environments (Hofstede, 2001).

There are some studies investigated the impact of UA dimension in CSR reporting (Tran, 2017). While some scholars agree that uncertainty avoidance and CSR reporting share a positive correlation that firms from high UAI societies are more likely to report CSR information to reduce uncertainties following the society’s expectations (Adelopo et al., 2013 cited in Tran, 2017; Tran, 2017), another researcher states that there is a negative relationship (Bowrin, 2013 and Williams, 1999 cited in Tran, 2017).

Figure 2.1.3b Uncertainty Avoidance World Map

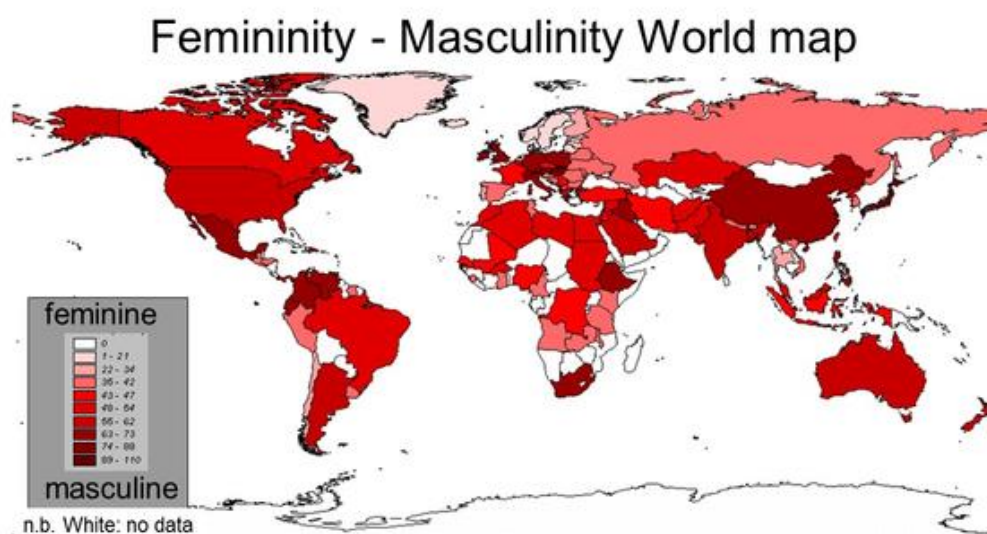


Source: Hofstede Insight, 2018a

However, based on the map, the level uncertainty avoidance index is distributed without the relations of the developing level. Hence, it is not an aspect to be considered in the differences.

The third attribute is that of **Masculinity versus femininity (MAS)**. A society gives preference for achievement, heroism, assertiveness, and material rewards for success is considered as masculinity while society with a preference for cooperation, modesty, caring for the weak and quality of life is a femininity one. Previous literature suggests that organizations from masculine societies are less likely to engage in CSR disclosure practice due to lower social demands for such activity (Williams, 1999, cited in Tran, 2017; Tran, 2017). They investigate that firm from countries with femininity characteristics disclose more CSR information in annual reports, compared with firms from masculine countries.

Figure 2.1.3c Uncertainty Avoidance World Map



Source: Hofstede Insight, 2018a

Actually, masculinity does not have a too strong relationship with level of development. However, again, the map points out that many countries in the developing areas such as China, South Africa, and Latin America have extremely high level in this dimension. Hence, it could be concluded that developing societies tend to engage less in CSR disclosure.

The scale of each dimension runs from 0 to 100 with 50 as a mid-level. Many studies used uncertainty avoidance and masculinity dimensions to explore the effect of culture on CSR disclosure (Oriji, 2010; Bowrin, 2013 and Williams, 1999; Adelopo et al., 2013 cited in Tran, 2017, Tran, 2017). The main findings of those studies are that..... Due to the usefulness of Hofstede’s framework, this study applies it to identify the effect of cultural dimension on CSR

disclosure practice. Among the six cultural dimensions, power distance, uncertainty avoidance and masculinity are chosen for this study since they directly link with the developing level.

Religion beliefs

Regards to religions, according to Pew Research Center's, the majority of people in developing countries said that religions are essential in their daily life (Pew Research Center's Pew Global Attitudes Project, 2008). More than 80% off surveyed people in the African and Latin American countries consider religion important. Religion is generally less central to the lives of Europeans. Poland is the only European country in which more than 60% consider religion important. And in three nations – France, Britain, and Spain – majorities say religion is not important in their lives. On this measure, the United States differs considerably from Western Europe and other economically advanced nations. About eight-in-ten Americans (82%) say religion is important, and most (55%) consider it very important (Unfavorable Views of Jews and Muslims on the Increase in Europe, 2008).

Rakodi (2010) states that religion, influence people's aspirations and provide them with sources of hope and dignity. With such values, people tend to behave and require proper behavior on social-cultural issues from the organization, which encourage companies to account their CSR activities.

To sum things up, national contextual differences drive the variation of CSR disclosure in developing nations. It could result in differences in stakeholders' perception, directing to the diversity of CSR disclosure.

The differences are summarized as the following table:

Table 2.1.3 Differences in contextual determinants which effects on CSR between developed and developing countries

Contextual determinants	Developing countries	Developed countries	Conclusion of CSR disclosure in developing countries	Source
Political & Legal				
Political system ideology consequences	Fewer state-owned enterprises (SOEs) than private firms	More state-owned enterprises (SOEs) than private firms	More commitment to CSR disclosures	Carol, 2016
Corruption	Lower level	Higher level	Less commitment to CSR disclosures	Olken & Pande, 2012; Tran, 2017
Voice and Accountability	Higher levels of democracy	Lower levels of democracy	Less commitment to CSR disclosures	Coluccia, 2018; De Villiers & Marques, 2016
Legal or Regulations	Strong and stable system	Unstable, incomplete system	Less commitment to CSR disclosures	Coluccia, 2018; Williams, 1999; Orij, 2010; De Villiers, 2014
Economic				
Market competition & development	Higher level	Lower level	Less commitment to CSR disclosures	Coluccia, 2018
Country's market structure	Higher quantity of big and international companies	Increase in number of big and international companies	Empowering the legitimacy of CSR Codes	Yin et al., 2016; Levis, 2006
NGOs, national and international standards		Increase in number	Encouraging firms to involve in CSR disclosure	Tran, 2017

Social, Cultural Dimension				
Power distance index (PDI)	Lower level	Higher level	Encouraging firms to involve in mandatory CSR disclosure	
Masculinity versus femininity (MAS)	Lower level	Higher level	Less commitment to CSR disclosures	Williams, 1999; Tran, 2017
Power of trade unions	Stronger	Weaker	Less commitment to CSR disclosures	Welzel, 2010
Religion beliefs	Lower proportion	Higher proportion	More commitment to CSR disclosures	Rakodi, 2010
Public pressure	Higher level	Lower level	Encouraging firms to involve in CSR disclosure	Coluccia, 2018, Shnayder et al., 2016

Source: Author's own elaboration

From author's generation, there is a lower level of CSR disclosure in developing countries rather than in developed countries. The mentioned external determinants are strong motivations for firms in developing countries to fulfill and complete CSR disclosure in both quality and quantity.

2.2. The internal or Firm-level determinants of CSR disclosure

Internal determinants refer to firm-level determinants. They include corporate characteristics such as industry, age, size, profitability, etc. and corporate governance namely as governance system, CSR committee, stakeholders' engagement, corporate culture etc. The following paragraphs will provide a deeper explanation for these variables.

2.2.1. Corporate characteristics

As mentioned above, internal determinants include corporate characteristics such as industry, age, size, profitability, etc. and corporate governance namely as governance system, CSR committee, stakeholders' engagement, corporate culture etc. The following paragraphs will provide a deeper explanation of these variables.

Many of these characteristics are considered important variables to determine the quality and quantity of CSR reporting. In the following section, the author analyzes industry, ownership, size and financial performance of firms. The choice of these variables is based on existing literature and empirical studies of scholars worldwide.

Industry

Industry category is a common explanatory variable that researchers use to show the differences in disclosure level. Wallace et al., 1994 (cited in Giannarakis, 2014) mentioned that since each industry has its unique characteristics, different industries may have a different disclosure level in both quality (Cormier & Magnan, 1999, Cormier & Magnan, 2003;) and quantity (Patten, 1991; Deegan and Gordon, 1996; Reverte, 2009; Tagesson et al., 2009; Tsang, 1998; Gao et al., 2005) in both developing and developed countries. Firms in a specific industry type such as manufacturing or environmental sensitive categories may disclose different amounts of social and environmental information than do those firms in other industry types. The definition of sensitive and non-sensitive industries was defined by prior studies (Roberts, 1992; Da Monteiro & Guzman, 2009).

Matuszak & Roznska (2017), confirm the connection between the extent of CSR disclosure and the firm industry by investigating 150 Polish listed companies divided into two categories including sensitive and non-sensitive industries. They find that companies in

sensitive industries which have larger potential environmental impact provide greater CSR disclosure in both quantity and quality than companies in non-sensitive industries. M. Hossain et al., (2006), learning about the relationship between CSR disclosure and firms industry through annual reports of 150 Bangladesh companies in the year 2002-2003 finds that “manufacturing companies with higher profitability and those that had issued debentures tended to disclose more social and environmental information”. It is because manufacturing processes are likely to have a negative environmental effect. Also agree with the effect of industry categories on CSR disclosure but using another variable to categorize firms, Haniffa & Cooke (2005) state that companies in the labor-intensive industries may provide more information on matters related to their human resources while companies operating in consumer-oriented industries are likely to disclose more social disclosures to improve their image among the consumers.

On the contrary, the empirical research of Gunawan et al., (2008) analyzing 468 annual reports of 117 Indonesian companies in 4 consecutive years from 2003 to 2006 and showed that the type of industry was not significantly influential for CSR Disclosure in both quantity and quality. In addition, two particular studies of Alsaeed (2006) and Gunawan (2013) on Malaysian companies state that there is no relationship between these two variables.

However, in the context of developing countries where a majority of large companies work with international buyers, especially in garments and clothing industries, CSR disclosure and industry correlation is more significant since export-oriented enterprise have motivations to provide more CSR disclosures in as a part of their foreign buyers’ requirement. Islam & Deegan (2008) support the statement by their study, which figured out that multinational buyers of the clothing industry would stop the contract if a manufacturer fails to meet the expectations related to various social and environmental issues. In addition, textiles and clothing industries leave pollution footprints on the environment (Claudio, 2007).

Therefore, it can be concluded that corporate industry sector appeared to one of the most significant determinants of CSR disclosure in developing countries, which is consistent with studies in developed nations that industry is a critical determinants of CSR disclosure.

Company Size

Scholars have been using several variables to measure a company’s size such as capital invested, number of employees, total asset value, sales volume, turnover, etc. Many studies has been showed a significant positive relationship between the size of the company and the extent of CSR disclosure in the corporate annual report in both developed countries (Patten,

1991; Adams et al., 1998; Silva Monteiro et al., 2009; Reverte, 2009; Tagesson et al., 2009; Monteiro & Guzman, 2010; Giannarakis, 2014) and developing countries (Haniffa & Cooke, 2002; Khan 2010, 2014; Gao et al., 2005). Legitimacy and agency theories are involved in explaining why size is one determinant and why there is a positive relationship between the two. It stated that the bigger size the companies are, the higher chance companies disclose its CSR information. Scholars state that “large companies tend to have greater numbers of social responsibility disclosure” (Cowen et al., 1987, p. 117). (Singhvi, 1971) argued that Small firms are more likely to release inadequate financial information. It could be explained that the larger companies make more disclosures because they want to receive more attention from the public and they are under greater pressure to exhibit social responsibility. Furthermore, these big companies usually have more shareholders who are concerned with the social programs done by the companies (Cowen et al., 1987), greater visibility in supply chain management, greater need to legitimize their actions and limit governmental interference in their business activities, more infrastructure and higher cash flows at their disposal (Kansal, 2014)

At the global level, in an analysis of CSR disclosures of 1827 corporations, the CSR reporting level, published in emerging markets, was higher than the expectations thanks to the efforts made by large companies to become globally recognized (Baskin 2006 cited in Elsakit, 2014).

In general, numerous studies in different contexts including developed and developing countries have been proved that there is a positive relationship between firm size and the extent of its disclosure.

Company age

Company age is the number of years from the time that company was established. It is related to company’s visibility. Thus, it has a close relationship with company size. Previous studies have discussed that longer-established firms are likely to have a higher extent of CSR Disclosure (Robert, 1992; Hamid, 2004 cited in Tran, 2017) as the longer a firm exist on the market, more likely its reputation and its CSR involvement are well-known.

When longer-established firms have been accumulating benefits from society and develop a greater sense of social responsibility, younger firms may stand more pressure from society and then hesitated to disclose its CSR information as it could threaten their competitive position (Parsa & Kouhy, 2008 cited in Tran, 2017).

However, there is no particular feature in developed and developing countries which can generate a different level of the influence of this variable on CSR disclosure.

Ownership Structure

Next influential element in CSR disclosure the author wants to mention is ownership. Ownership can be seen from its concentration or from its identity aspect. It is argued that a firm with high ownership concentration is more likely to disclose less CSR information than that with widespread shares (Prencipe, 2004 cited in Elsakit, 2014).

From another view, ownership can be separated by its identity aspects including **governmental firms** (all or a proportion of shares is owned by the government) and non-governmental firms. Tagesson et al., (2009) states that as a governmental firm is perceived to be owned by all citizens, disclosures made by such firm is more likely to be different in its content in comparison with a private firm. Studies of Cormier & Gordon (2001) on Canadian firms and Cormier & Magnan (2003) on French firms or Liu & Anbumozhi (2009) on Chinese firm agree that ownership and CSR disclosure share a connection. The former study investigated three Canadian electric companies and find that two companies owned by the government disclose more information than the private one. They mention that it is because the publicly owned companies receive more social and political support and then they become more politically sensitive. Again, the study of Tagesson et al. (2009) in Swedish organizations revealed that ownership held by the government disclose more social information on their websites, whereas private owned companies released less. It could be a result from the reason that “there is a long tradition of transparency in the public sector, which is also legally regulated in the principle of public access to official records” in Sweden.

Liu & Anbumozhi (2009) find an opposite result that **corporation whose shares are possessed by many investors** is more likely to disclose more environmental information because the ownership concentration put pressure on corporation to provide more information to investors and other interested group at the same time and economically. Similarly, Tsang (1998) find that the Development Bank of Singapore (DBS), owned mostly by government, informed less disclosure in comparison with the other banks. Notwithstanding Malaysia environment, Amran & Devi (2008) confirmed the positive impact of the Malaysian government on CSR disclosure of the companies. In addition, another typical ownership form that we need to consider is family ownership. This type of companies usually less concentrate on organizational legitimacy and public accountability. Therefore, companies tend to report less when there is family ownership because of many different reasons. However, one of the

most important reasons is that **family firms** tend to informally convey their value within the firm and to protect themselves from information leaks on their value system; they consider employees as part of the family system rather than the external parties, therefore, less subject to formal communication flows. Lastly, Haniffa and Cooke (2002) argue that when firm shares were possessed by wide range of investors, especially when foreign ones, various disclosures attracted more attention. In developing countries context, there are many local, small and family-owned companies which try to attract foreign investors. Thus, they care of CSR disclosure standard because investors may assess it positively. In short, family or highly concentrated ownership can weaken firm's motivation toward CSR disclosure while foreign national or governmental ownership nature strengthens it.

Company Financial Performance

Similar to the above features, profitability has been commonly used to analyze the differences in disclosure level and extend by worldwide researchers. There are continuing debates on the relationship between CSR disclosure and financial performance of a company because companies with high financial performance may disclose more social and environmental information. A corporation management might feel that it has to prove that its profits were not on expense of its social and environmental performance, that is, it did not cause any harm to society or environment while achieving its profits.

Haniffa and Cooke (2005) justified the action of disclosing social information by corporation's desire to be seen as a positive participant in society development. In empirical filed, numerous studies have proved the existence of the relation between profitability and social and environmental disclosure, in different contexts in terms of countries and industries. A study on around 50 French companies operating in seven different sectors point out that profitability was a significant determinant of the strategy implemented for environmental reporting (Cormier, D., & Magnan, M., 2003)

. In the context of developing countries, researchers observe a positive association between profitability and the extent of CSR disclosure (Monteiro & Guzman, 2010; Halkos & Skouloudis, 2016; Khan, 2010; Haniffa & Cooke, 2002). This positive association is explained by investigating annual reports of a sample of non-financial firms in Malaysia in two years 1996 and 2002. This study proved that profitability was a vital factor in relation to promulgating social information by firms (Haniffa & Cooke, 2002). Another study, in Bangladesh carried out by Khan (2010) found that profitability is statistically important pertaining to the level of CSR disclosures.

In contrast to the results mentioned above, other researchers find that these variables are not statistically significant correlation to each other (Monteiro & Guzman, 2010; Patten, 1991; Alsaeed, 2006).

According to M. Hossain et al. (2006), if the return rate of a company is higher than the industry average, company manager board has a motivation to communicate and disclose more information (including CSR information) in their corporate annual reports as a result. He confirms that “*firms with higher net profit to sales disclose social and environmental information to a greater extent than do those firms with lower net profit to sales ratios*” and “*firms with higher rates of return on assets disclose social and environmental information to a greater extent than do those firms with lower rates of return on assets*”.

Again, the conclusion on whether and how corporate financial performance affects the disclosure based on many examines in developing countries is consistent with studies in developed world that a number of researchers believe in its positive relationship (Roberts, 1992; Waddock & Graves, 1997 cited in Hossain, 2006; Haniffa & Cooke, 2005; Cormier & Magnan, 1999; Tagesson et al., 2009) while some found an insignificant relationship (Patten, 1991; Reverte, 2009).

Listing on exchange market

Regards to its listing on the stock exchange market, it is argued to be beneficial to firms (Reints & Vandenburg, 1975 cited in Elsakit, 2014) because being listed on New York Stock Exchange or American Stock Exchange is more likely to be associated with a reduction in the risk level of securities. There are some requirements need to be fulfill so as to register stocks on the market and releasing more information is one of those requirements. On the contrary, some studies do not support this claim (Ying et al., 1977 cited in Elsakit, 2014). They criticize that although some studies regarding positive impact of listing on the market, those studies did not make the modifications for the differential risk characteristics of the securities involve (Ying et al., 1977 cited in Elsakit, 2014).

A study in a different context - a developing country confirmed the argument that companies operating in Malaysia and listed on the stock exchange market paid attention on social issues (Haniffa & Cooke, 2005)

In short, literature and empirical reviews in both developed and developing countries have not brought out a conclusion firms' visibility on the stock exchange market.

2.2.2. Corporate Governance Characteristics

Apart from the company's characteristics, the board of director characteristics or corporate governance is another crucial factor influencing CSR disclosure. It can be defined as "*the manner in which companies are controlled and in which those responsible for the direction of companies are accountable to the stakeholders of these companies*" (Dahya et al., 1996, p. 71 cited in Elsakit, 2014). Corporate governance relates to all company's stakeholders as it provides the framework to achieve company's goal. Corporate governance affects all of the management aspects, from action plans and internal controls to performance measurement and corporate disclosure.

Since corporate governance influences all the strategic activities and of course also the communication relationships with investors and stakeholders, it affects also CSR disclosure. Many papers indicated a significant positive relationship between sustainability disclosure and board characteristics (Haniffa & Cooke, 2005; Khan, 2010). Board of director characteristics includes board structure, CEO duality, board size, board independence, board gender diversity, and the presence of the CSR committee.

Board independence

Board independence refers to the number of independent directors on board. The firm board consists of executive and non-executive directors who are objective and independent but have an undeniable influence from the CEO and other inside directors (Mangel & Singh cited in Elsakit & Worthington, 2014). Since independent directors have a strong incentive to do their best to ensure the success of that firm, they are likely to have concerns about firm issues including society and environment issues. For that reason, boards dominated by non-executive directors are assumed to disclose more CSR information. This statement has been supported by various scholars from different context such as HongKong (Chen & Jaggi, 2000); U.S (Rupley et al., 2012), especially in developing nations such as Kenya (Barako & Brown, 2008); Malaysia (Jangu et al., 2014); Bangladesh (Khan, 2010; Khan, 2013), Latin American (Husted, 2018).

Notwithstanding, Tran (2017) finds no relationship between 2 variables when she analyzed 180 leading listed enterprises of 6 South East Asian countries including Thailand, Vietnam, Indonesia, Philippines, Singapore, Malaysia. This result is explained that when the family groups affect choosing independent directors decision, these directors, are not truly independent (Chen & Nowland, 2010 cited in Tran, 2017). She also figures out the low percentage of non-executive directors in the board, and the limited role of them in 3 studied

countries (Indonesia, Vietnam, and the Philippines) leads to the difficulty in control and change management such as engaging more in CSR disclosure. Moreover, particular studies find a negative effect of independent directors on CSR disclosure in Malaysian context (Haniffa & Cooke, 2005).

It is not simple to conclude the argument from previous studies that there is a positive, negative or neutral relationship between board independence and level of CSR. However, in the context of developing countries where the CSR related regulations are not, and highly concentrated ownership and family control are weighted, the neutral relationship could be applied. More specifically, the number of non-executive directors in board does not reach to the minimum requirement of at least one-third total number of the board which weakens their voice in firm's decision — furthermore, high concentrated ownership and family control result to powerless non-executive directors. In addition, in some developing countries, CSR remains a relatively new concept. As a result, external directors are likely not to fully recognize the importance of CSR disclosure and convince the board to adopt and develop the practice in their annual reports.

Board diversity

Board diversity has been considered as a component of corporate governance in recent years (Khan, 2010). Active board diversity in gender, ethnicity and cultural or educational background could bring more different opinions and perspectives than a board with similar-background directors (Carter et al., 2003 cited in Tran, 2017). In this dimension, the author concentrates on “women on boards” and “foreigners on boards” influence of CSR disclosure level.

“*Women on boards*” refers to the number of women presence on the board. Women's experiences may widen customer's expectations and establish more effective stakeholder management (Daily Zhang et al., 2013 cited in Giannarakis, 2014); thus, the implementation of CSR initiatives is more feasible. As a result, CSR practices are expected to improve an organization with more women on board. The literature has found a positive association between women on boards and effective corporate governance (Adams & Ferreira, 2009 and Bear et al., 2010 cited in Husted, 2018, Williams, 2003; Ntim et al., 2013; Giannarakis et al., 2014)

In the U.S firms, Wang & Coffey (1992) state that the presence of women is positively significant correlated to firms' charitable giving. Giving support to this opinion, Williams (2003) show that a high number of women on boards is positively related to the firm's charity

activities, focus on arts and cultural programs. It is proposed that female directors, with their relational abilities, tend to engage and respond to more stakeholder's requirements, which results in better responsiveness on CSR issues. Besides, female members are perceived to express more concerns in philanthropy; they are expected to improve information transparency concerning sustainability issues (Tran, 2017).

On the contrary, Khan (2010) indicates no relationship between the women presence on boards and CSR reporting by private commercial banks of Bangladesh. It is supported South East Asian and Latin American contexts; again, show a negative connection (Tran, 2017; Husted, 2018). The contradictory findings are considered as the result of the different reality of lower percentage of women directors' on board and weaker role of them in these countries than in developed countries. More specifically, in Latin America, only 53 over 176 firms had at least one woman on the board (Husted, 2018) and in 6 Southeast Asia countries' study (Tran, 2017), the average percentage of female directors is 11.73% while there is 96.4% of firms in the S&P500 in the United States in 2014 (Catalyst, 2015 cited in Husted, 2018). The finding, hence, supports the suggestion of Kramer et al. (2006) that only one or two female directors on board are insufficient to make changes (Kramer et al., 2006). Another reason for negative association between the two elements is that gender-based discrimination in board of directors in Latin America context could be a consequence of cultural environment; thus, women directors may need to wait for a time when more firms have both women and a critical mass on their boards in order to have a stronger influence (Husted, 2018).

In conclusion, in developing countries, "women on boards" is not a significant determinant affecting companies' decision generally or CSR disclosure level, particularly.

Foreign nationals on board are people from developed countries, where social and environmental issues attract more of attention from society. Hence, it is assumed that they can transfer their knowledge and interest to other board's members. The opinion that foreign nationals' directors can influence CSR disclosure is in line with the argument that foreign ownership of firms could motivate enterprise to disclose more about CSR information. The argument is supported by many scholars in various country such as Bangladesh (Khan, 2010); Vietnam (Hoang, 2016). In detail, Khan's (2010) studied the degree of CSR disclosure made by Bangladesh banks and concludes that it is a statistically significant association between the number of foreign directors and CSR disclosure. Moreover, in the study, he analyzed that the voluntary social disclosure level was significantly correlated with the percentage of foreign nationals on the board. Similarly, Hoang (2016) investigates 133 Vietnam listed companies in 2010 and reconfirms Khan's outcome.

Reversely, Janggu et al. (2014) do not find any significant relationship between the number of foreign nationals on board and CSR disclosure level in Malaysian public companies. This conversed result might be the consequence of small proportion of foreign nationals on the board, which leads to a non-influential role in the decision-making process; or the unstable quality of political and legal system (Elsakit, 2014).

In general, it can be concluded that foreign nationals have a positive relationship with CSR disclosure.

Board CSR committee

The fourth determinant is CSR committee board which consists of some members of a board of directors and carrying out specified CSR related tasks. Even though the presence of CSR committee becomes more popular, the literature on CSR committees is extremely limited. One of the first paper analyzing this element is Cowen et al.'s paper (1987), states that the CSR committees presence demonstrates a companies' concern for CSR; thus, it could be considered as an elements to be published in annual reports (Cowen et al., 1987). The CSR committee's aim is to motivate a firm to implement CSR-related policies and practices, including CSR disclosure.

Agreeing upon above opinion, Tran (2017), in her study, states that the CSR committee existence in a firm is a provident of firm's proactive governance for its long-term sustainability strategy. The result of her study is consistent of her expectation based on literature and empirical research that firms analyzed in context of 6 Southeast Asia countries, "firms with the presence of CSR committee on board are more likely to disclose CSR information in annual reports". In addition, other authors find that there is a statistically significant positive relationship between the two variables when they used content analysis and a panel dataset to analyze 350 UK listed companies on FTSE and (Yekini et al., 2015). Another related study is from Liao et al. (2015) specifying on greenhouse gas disclosure and the presence of an environmental committee. Although they also find a significant relationship, they emphasize that the effect is likely not significant if the committee is not sufficiently large, independent or active. In other hand, Waris et al., (2016) find that CSR committee and CSR disclosure is not related to each other when they investigated 100 public companies in Malaysia.

Indeed, CSR committee role has a positive effect on CSR disclosure and it is not different in different countries.

The differences are summarized as the following table:

Table 2.2.3 Differences in internal determinant effects on CSR disclosure in developed and developing countries

Internal determinants	Developing countries	Developed countries	Conclusion of their effects on CSR disclosure in developing countries	Source
Corporate characteristics				
Company Industry	Positive correlation	Positive correlation	Significant determinants	Cormier & Magnan, 1999; 2003; Patten, 1991; Deegan and Gordon, 1996; Reverte, 2009; Tagesson et al., 2009; Tsang, 1998; Gao et al., 2005
Company Size	Positive correlation	Positive correlation	Larger companies more commit to CSR disclosures	Patten, 1991; Adams et al., 1998; Silva Monteiro et al., 2009; Reverte, 2009; Tagesson et al., 2009; Monteiro & Guzman, 2010; Giannarakis, 2014; Haniffa & Cooke, 2005; Khan 2010, 2014; Gao et al., 2005
Family or concentrated ownership	Fewer companies	More companies	Less commitment but have encouragement to CSR disclosures	Prencipe, 2004 cited in Elsakit, 2014
Governmental ownership	Fewer governmental ownership companies	More governmental ownership companies	More commitment to CSR disclosures	Tagesson et al., 2009; Cormier & Gordon, 2001

Foreign nationals ownership		Positive correlation	More commitment to CSR disclosures	
Company Financial Performance	Conflict in researches No Conclusions about the relationship	Conflict in researches No Conclusions about the relationship	Examines in developing countries is consistent with studies in developed world	Monteiro & Guzman, 2010; Halkos & Skouloudis, 2016; Khan, 2010; Haniffa & Cooke 2002; Monteiro & Guzman, 2010; Patten, 1991; Alsaeed, 2006 ; Hossain, 2006; Tagesson et al., 2009; Patten, 1991; Reverte, 2009
Company age	Positive correlation	Positive correlation	Examines in developing countries is consistent with studies in developed world	Robert, 1992 and Hamid, 2004 cited in Tran, 2017; Parsa & Kouhy, 2008 cited in Tran, 2017
Listing on stock market	More companies listed on stock market	Fewer companies listed on stock market	Less commitment to CSR disclosures	Haniffa and Cooke, 2005

Internal determinants	Developing countries	Developed countries	Conclusion of their effects on CSR disclosure in developing countries	Source
Corporate governance characteristics				
Board independence	Conflict in researches No Conclusions about the relationship	No correlation	No conclusions	Chen & Jaggi, 2000; Rupley et al., 2012; Barako & Brown, 2008; Janggu et al., 2014; Khan, 2010; Khan, 2013; Husted, 2018; Tran, 2017
Women on boards	Positive correlation	No correlation	No conclusions	Zhang et al., 2013 cited in Giannarakis, 2014; Adams & Ferreira, 2009 & Bear et al., 2010 cited in Husted, 2018, Williams, 2003; Ntim et al., 2013; Giannarakis et al., 2014; Wang & Coffey, 1992; Tran, 2017; Khan, 2010; Kramer et al., 2006
Foreign nationals on board		Positive correlation	Encouraging firms to involve in CSR disclosure	Khan, 2010; Hoang, 2016;
CSR committee	Positive correlation	Positive correlation	Examines in developing countries is consistent with studies in developed world	Tran, 2017; Yekini et al., 2015; Liao et al., 2015

Source: Author's élaboration

2.3. Crises or scandals and firms' legitimacy

The purpose of this section is to provide a literature overview about how "crisis" or "scandal" relates to CSR disclosure by looking at its definition, analyzing its scope and its impacts on companies.

2.3.1. Overview of Crises/ Scandals

In the literature, there are several definitions of crisis. One of the earliest definitions is presented by Hermann (1963), who define that a crisis is an event including "surprise", "threat" and a "short-response time". Later, it is identified with four characteristics: "unexpected and non-routine", "high levels of uncertainty", "threat or perceived threat to an organization's high priority goals" and "the need for change" (Ulmer et al., 2007; Seeger et al., 2005). If one of the four characters is missed, the event can be considered as a firm's failure or reorganization.

In general, a "crisis" is an event that is going or is expected to lead to a dangerous and unstable situation which brings huge effects to an individual, group, community, or whole society. Crises are usually considered as negative changes in the political, economic, societal, or environmental dimension, especially when they suddenly occur, with little or no warning. Moreover, the word "crisis" has been used with other terms such as "scandal", "disaster", or "threat" to indicate some "*ambiguity of cause, effect, and means of resolution and a belief that decisions needed to be made swiftly*" (Pearson & Clair, 1998 cited in Sarkar & Osiyevskyy, 2018). In this paper, the term "crisis" and "scandal" are used to mention an unexpected event with negative effects on companies' operations strategy and request short response time.

Crises such as defective products, employee violence, environment scandals, etc. can wipe away all corporate long-term efforts, impact the organization's reputation and are constrains for firms' development for years. In some cases, the single crisis is able to influence the entire industry, political system, and consumers' behaviors and vice versa (Abney & Hill, 1966 and Boin et al., 2008 cite it Brewer et al., 2015). However, after crisis firms can be deleted on the market or can be recover and stronger. Crises, thus, can motivate enterprise to change, learn, refresh or even renew itself (Brewer et al., 2015). Since a crisis from all level could affect firms and its stakeholders, it need to be informed to related partners through a post-crisis discourse which shapes both the nature and degree of change (Seeger et al., 2005). When a crisis happens, the organization is required to make decision as soon as possible although the causes of the dysfunction are not always identified early and easily.

2.3.2. Scope of crisis and its impacts

If an organization is not consistent with social norms, required regulations and fail to meet customers' expectations, it will lose the long-term built reputation (Shim & Yang, 2016). If the management board cannot manage how to deal with the occurring crises or how to communicate with the internal and external stakeholders properly, its favorable reputation could become a bad reputation (Shim & Yang, 2016). In managers do not properly communicate with stakeholders, CSR is implemented as an effective response strategy to prevent the damage of firm's reputational during the crisis period (Peters, 2009 and Vanhamme & Grobben, 2009 cited in in Shim & Yang, 2016). However, if company let the public perceive that the company does not actually work on its CSR, or in other words, it conducts CSR only as accommodative window-dressing, company's strategy to resolve the crisis will not be successful (Shim & Yang, 2016).

Global-level crises can be defined as events which do not only influence one or a few countries but many countries worldwide such as Globalization, Energy and environmental security Agenda 2007, Global Financial Crisis 2008-2009, Climate Change, etc. Many researchers have argued that less developed countries are more likely to suffer more severe consequences from crises than developed countries (Albala-Bertrand, 1993; David & Seitz 1982; Horwich, 2000; Kahn, 2005 cited in Brewer et al., 2015). Countries with higher levels of education, stronger development, and smaller governments are likely to suffer less human and economic loss (Toya & Skidmore, 2007 cited in Brewer et al., 2015). In conclusion, the global crisis of any field could negatively affect a particular company.

Country-level crises can be understood as massive changes in political issues, economics or financial crises, cultural and social transitions or even nature-related issues. When an unexpected event occurs at the national-wide scope, it could affect the physical environment and thus, impacts firms operating inside that system. As the firm's attitudes and reactions toward these events are extremely crucial to maintain its reputation, it has to consider every response to the stakeholders carefully. For example, when a country is facing national disaster, a company could help the victims by donating or other supporting methods and then clarify those practices in CSR disclosure. However, it is only perceived as goodwill when firms have no report of a violation of environmental issues, low-quality goods, salary debts, infringement of legal interests and benefits of employees, etc.

Similarly, it is possible that firms could be unfavorably affected by the *industry-level crises* which are consisting of industry-specific regulations, new experiments or detects within the industry, etc. For instance, in the food industry, an investigation of toxics elements in milk could

destroy even the giant enterprise if it is related to the scandal and do not know how to manage it. On another hand, when enterprise accesses the legitimate approach, it could win other competitors to gain higher reputation.

Firm-level crises can be noticed as the events occurring from inside and influences the firm. Based on international surveys, Kim (2017) states that organizations are not prepared to deal with crises. He mentions that approximately 80% of businesses believe they have only one year to face a potential crisis. Marsteller & Berland (2011)'s interview of 826 decision makers worldwide, generating other reasons for crisis causes including controversial company development, logistic difficulties, technical accidents, etc. (Marsteller & Berland, 2011 cited in Kim, 2017).

Besides, it is clarified from previous studies that there are relationships between CSR disclosure and firms' internal and external influence factors and sometimes enterprises report their CSR activities in response to an event rather than a responsibility to stakeholders (Deegan et al., 2000). Therefore, firms could differently disclose their CSR information during the crisis period. Moreover, in periods of crisis, CSR may be a threat to firms' survival (Kavoura & Sahinidis, 2015).

2.3.3. Scandals and CSR Disclosure

Arvidsson, (2010) states that many corporate scandals taking place on the social, ethical and environmental arenas result as a widespread mistrust against management teams. Thus, the companies could receive boycotts from stakeholders if the managers did not broaden their focus and acknowledge the needs of other stakeholders than only shareholders (Kennedy, 2000 cited in Arvidsson, 2010). Other authors also share a similar concern related to scandals, in their book *Corporate Scandals – the many faces of greed* (Gray et al., 2005, cited in Arvidsson, 2010). Therefore, with the increased interest in CSR from different stakeholders, companies should pay attention to not only to shareholders' demands but also societal requirements.

As mentioned above, CSR disclosure maybe be seen as a proactive approach to achieve companies' legitimacy or maintain companies' reputation. According to legitimacy theory, a company involves voluntary disclosure in order to gain legitimacy from, maintain or repair legitimacy with, relevant stakeholders (Deegan, 2002; O'Donovan, 2002). Thus, a company must make its CSR activities visible and accessible to all stakeholders (Maignan et al., 1999 cited in Arvidsson, 2010). These purposes could be reached through a corporate communication instrument which is CSR disclosure.

However, communicating too much about its CSR activities might convert the expectations such as self-promoters' paradox which can hurt the company's legitimacy (Ashforth & Gibbs, 1989 cited in Arvidsson, 2010). Moreover, some critics state that CSR is merely window dressing or

some PR invention (Fan, 2005; Frankental, 2001; Harding, 2005; Loughran et al., 2009 cited in Arvidsson, 2010) but companies can avoid it by disclosing a transparent and verifiable report (Borglund, 2009 cited in Arvidsson, 2010).

CHAPTER 3: RESEARCH DESIGN

The study is set out to explore if, how and why CSR disclosure changes after a scandal in companies of developing countries. The thesis adopts a case studies approach and analyses two Vietnamese companies.

This chapter is dedicated to introduce the research methodology.

3.1. Case study approach

There are several broad types of research approach, such as experimental designs, quasi-experimental designs, survey research, ethnography research, narrative approaches, case studies, grounded theory (Easterby-Smith et al., 2015). Each approach has particular advantages and disadvantages, depending upon three conditions: the type of research question, the control an investigator has over actual behavioral events and the focus on contemporary as opposed to historical phenomena (Yin, 1994). Some of which are quantitative, some qualitative, and some mixed.

In particular, the case studies is an approach that the investigator takes one or several examples, carefully study it or them, then draw out the more general lessons for a broader application (Easterby-Smith et al., 2015). Case studies approach requires intensive investigation into one or a few cases, using both inductive and deductive reasoning, quantitative and qualitative methods (Walliman, 2006). Agree upon this definition, Bubaker strengthens it by stating that “Case studies include a variety of data collection methods including document analysis and interviews, as well as the technique of data triangulation to establish the validity of data” (Bubaker, 2016, p2).

Case studies approach is “an appropriate research method when you are trying to attribute causal relationships and not just wanting to explore or describe a situation” (Yin, 1993, p31). It is used to learn about a social group, community, system, organization, institution, event, a person or type of personality in detail within their context, to make assessments and comparisons (Walliman, 2006). The case study can be applied when “the phenomenon under study is not readily distinguishable from its context” (Yin, 1993, p3). Through case studies, researchers may try to take a more precise approach to demonstrate validity, and ensure that logic is applied to any comparisons, or focus on creating a detailed picture which is particularly well suited to investigating processes (Easterby-Smith et al., 2015, Yin, 1994). In short, “the case study allows an investigation to retain the holistic and meaningful characteristics of real-life events-such as individual life cycles, organizational and managerial processes, neighborhood change, international relations, and the maturation of industries” (Yin, 1994, p.3)

Apart from its benefits, case study approach received also some criticisms from or by? researchers worldwide. One of the main concerns of this method is that it provides little basis for scientific generalization (Yin, 1994) or in another word, a case study cannot validate a theory. Although this is true, during the analysis of a case study researchers can obtain some related things to the literary theories. Scientific facts are hardly based on a single experiment but multiple sets of

experiments, which have replicated the same phenomenon under different conditions (Yin, 1994). “Case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study, like the experiment, does not represent a "sample," and the investigator's goal is to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization)” (Yin, 1994, p.10).

In conclusion, the most critical condition for differentiating among the various research strategies is to identify the type of research question being asked: "who," "what," "where," "how," or "why" (Yin, 1994). While the “who”, "what", “where” questions can be answered by many types of strategy, “how” and "why" questions are likely to favor the use of case studies and experiments (Yin, 1994). Moreover, since the case study is preferred in examining contemporary events when the appropriate behaviors cannot be manipulated (Yin, 1994), it matches with the aim of this paper that to understand the “how” and “why” companies in developing countries change their CSR disclosures after a scandal. In addition, through a case study approach, another type of information which is insight from interviews can be collected and analyzed. Therefore, it can be wrapped up that case studies approach is the most reasonable choice for this study.

3.1.1. Case studies design

Some of these criticisms may be avoided by providing clear designs before collecting any data, and these designs should involve: *the main questions, its propositions, the unit of analysis, links between data and propositions, and procedures for interpretation of data* (Yin, 1994).

Single case or multiple cases: Case studies can be categorized by its purposes including intrinsic case study which is used to understand and learn more about a particular case, instrumental case study which is applied to understand something through studying something else and collective case studies approach which is adopted to conduct of a detailed investigation where more than one case is chosen (Stake, 1995 cited in Bubaker, 2016). As a multiple case design allows the findings to be replicated across cases, the evidence from multiple cases is considered as more convincing (Iacono et al., 2011). A multiple-case design design can be approached when the purpose of the investigation is theory description, theory building or theory testing (Iacono et al., 2011)

Furthermore, the case study method can also be distinguished by its nature: descriptive, exploratory and explanatory (Yin, 1993). Explanatory case studies are suitable for “designing and doing causal studies” (Yin, 1993, p. 18) when the researcher has little control over the events, and when the investigator focuses on an ongoing phenomenon that occurs in a real-life context in the situation that there is a lack of theory (Yin, 2013). In addition, explanatory (qualitative) case study

is considered as the most effective way of gaining an understanding of specific cases (Bubaker, 2016).

Qualitative explanatory case study technique (Yin, 2014) is adopted as the research strategy because it is appropriate to have an in-depth knowledge of one organization or to compare a few organizations and identify the key differences

This thesis, in particular, focuses on analyzing CSR disclosure changes after scandal(s) of two large and high visible Vietnam-based multinational enterprises which are Phu Nhuan Jewelry Joint Stock Company (PNJ) and Vietnam Dairy Products Joint Stock Company (Vinamilk).

The research questions are the following:

RQ1. Do Vietnamese firms change their CSR disclosure because of a scandal?

RQ2. If they do, how and why do Vietnamese firms change CSR disclosure? If they do not change it, what are the reasons?

3.2. Sample selection

“The selection of a case study relies on theoretical sampling as cases are chosen for theoretical rather than statistical reasons” (Bubaker, 2016, p.2). The sample selection of this study is based on the purposeful sampling strategy (Patton, 2001), as the cases illustrate characteristics that fulfilled the purpose of the study. In this study, Vietnam Dairy Products Joint Stock Company (Vinamilk) and Phu Nhuan Jewelry Joint Stock Company (PNJ) are chosen as purposeful samples for several reasons.

First, both companies are Vietnam-based multinational enterprises which *have headquarters in Vietnam* – a developing country. Both enterprises have long histories and contribute to the developing of its industries. The first company has been in business for more than forty years, with 57.8% of dairy market shares in 2017 (SSI Bloomberg, 2017) while the second company has already operated for thirty years with 26.5% of jewelry market shares in 2016 (VCBS report, 2017). In addition, the two chosen firms are listed firm on Ho Chi Minh City Stock Exchange, Vietnam (HOSE), they are undergoing specific correlated laws and regulations which can affect the CSR disclosures.

Secondly, as mentioned in chapter 2, industry is a crucial factor in companies’ decision on CSR disclosure. Both companies belong to *environmentally sensitive industries* as both of them can be considered as manufacturers, dealing with raw material and producing the final products. More specifically, Vinamilk operates in dairy industry which directly affects to the environment such as resource depletion, greenhouse gas emissions, wastewaters (Palmieri et al., 2017), water quality, air quality issues (Place & Mitloehner, 2010), electrical and thermal energy usage,

wastewater treatment system, process water consumption, chemical usage and solid waste generated (Finnegan et al., 2017). PNJ business involves to mining precious metals industry and metal finishing operation. While the former can bring devastating effect on the environment (The Guardian, 2018), the latter is recognized as a significant source of environmental pollution including air, water, and land, including solid waste for landfill disposal (Giannetti et al., 2008).

Furthermore, *two companies together experienced industry-level and firm-level scandals in recent years*. Particularly, Vinamilk suffered a decrease in milk consuming as the result of milk contamination of the industry and rumor related to its products' quality. At the same period of 2014-2015, PNJ encountered a decline in national gold price a company crisis related to its reputation.

Last but not least, both Vinamilk and PNJ have been disclosing their CSR activities for a few years in stand-alone reports and their sustainability reports are standardized reports, *receiving many awards in Vietnam and Asia*. Although considering these two firms, this study does not declare that interpretations presented here can directly apply to neither the chosen industries nor other organizations in general. It only tends to explore research questions and gain more understanding about CSR disclosure in developing countries.

3.3. Data sources

Our qualitative data uses both primary and secondary data source, consisting of

1. Interviews with the companies' CSR committee members and companies' employees
2. Sustainability reports (before and after the scandals);
3. CEO's letters at the beginning of Sustainability Reports;
4. National and international media or newspapers

In detail, primary data collection was accomplished by a semi-structured interview technique after obtaining an understanding of the topic through secondary data which are stand-alone sustainability reports. The choice of analysis of sustainability reports is consistent with prior research (Cho et al., 2015). The semi-structured interview approach is selected as they can provide valuable insights and understanding (Birn, 2000 cited in Lorraine, 2007) and was applied in several CSR disclosure studies (Arvidsson, 2010; Lorraine, 2007; Gary, 2002). Although these two data sources are supporting each other, each type is used to generate the answers for different research questions. The combination of them, thus, provides a useful result.

Stand-alone Report analysis: Six stand-alone sustainability reports are collected and analyzed. For Vinamilk, four sustainability reports of the year 2014, 2015, 2016, and 2017 are analyzed while for PNJ, only two sustainability reports of the year 2015, 2016 are used since they

have only started to disclose stand-alone report since 2015. The reports are analyzed through a qualitative content analysis (Easterby-Smith et al., 2015) based on GRI topics by a content analysis software named Atlas.ti (Atlas.ti, 2004) in order to produce a structured data analysis.

Two interviews with people in charge of Sustainability Reports via voice calls and *another two face-to-face interviews* with companies' employees were conducted. Data was gathered through semi-structured interviews because semi-structured interviews are one of the most dominant and widely used methods of data collection within the social sciences (Bradford & Cullen, 2012 cited in Evans, 2018) allowing researchers to explore subjective viewpoints (Flick, 2009 cited in Evans, 2018) and to gather in-depth accounts of people's experiences. This method enables the author to address a defined topic while allowing the respondent to answer in their terms and to discuss issues and topics pertinent to them (Choak, 2012 cited in Evans, 2018). When a semi-structured interview is applied, new ideas can be brought up as a result of what the interviewee says.

The first two interviewees are Internal Control Director of Vinamilk and Communication Director of PNJ. Both interviewees had years of experience in the field and in-depth knowledge of CSR in their companies. Furthermore, they are the people who have been managing the sustainability reports in all chosen years. The author is the interviewer and the interview studies with the informants are conducted using a semi-structured interview guide. The second two interviewees are employees from Human Resources Department of PNJ and Public Relations of Vinamilk. Both interviewees have been working in the companies for more than 4 years that they understand companies' business philosophy and policies.

The interviewees are informed that the information collected is to be used for the thesis's purposes only. The interviews last from 30 minutes to 1 hour and are audio-recorded, transcribed, and spell-checked by the interviewer. After that, they are validated by the interviewees. Moreover, the statements cited in the article are translated from Vietnamese to English, as the interviews are conducted in the native language of the interviewees.

A content analysis of the *CEO's letters* at the beginning of sustainability reports was conducted to deeply understand about company direction toward CSR disclosure and then how it is related to company reactions to industry and firm's level scandals.

A content analysis and collection of *national and international media or newspapers* related to companies' scandals and CSR-related awards in order to provide a bigger picture and generate perceptions from media.

3.3.1. Content analysis process

Content analysis is defined as systematic procedures for studying the content of written documents (Krippendorff, 1980). In this study, content analysis is carried out to translate the qualitative data in stand-alone sustainability reports into a more systematic knowledge and the interviews data into insight information which can support for the results generated from the reports.

The empirical data analysis of the reports includes three inspections: comparison the metrics analyzed in the sustainability reports and existing metrics following GRI standards as done by (Crisóstomo, V. L., Prudêncio, P. D. A., & Forte, H. C., 2017 and (Hahn, R., & Lülfs, R., 2014) to analyze CSR disclosure quality, examination specific contents related to scandals and investigation of data related to the CSR practices in the past of the companies. First of all, although GRI standards (GRI4) contain 33 topic-specific standards organized into three categories: economics, environmental and social series. In this analysis, the author merely focuses on five topics which are **Anti-corruption, Effluents and Waste, Environmental Compliance, Human Right Assessment, Customer Health and Safety** to learn how companies acknowledged these dimensions. These five topics are selected as a consequence of the dissimilar of their effects in CSR disclosure in developing and developed countries which is mentioned in chapter 2. Moreover, as Vinamilk is a dairy company, products quality is one of the most critical factors, the author profoundly analyzes specific informational of “**Customer Health and Safety**” category in its disclosure. Regarding PNJ, “**Effluents and Waste**”, “**Environmental Compliance**” disclosure items are intensely investigated as the jewelry making business has always involved some hazardous processes which harm the environment in general and water source in specific. Also, then, specific contents related to scandals and data related to the CSR practices in the past are examined in order to conduct an overview about how the two companies managed this type of information and communicated it with their stakeholders.

Unit of analysis: Each sentence was considered as a unit of analysis

Coding rule: For each sentence, we give a score of 1 if it contains CSR info according to GRI that it related to the 5 topics including anti-corruption, effluents and waste, environmental compliance, human right assessment, customer health and safety. Otherwise, we give a score of 0.

When 1 is assigned, we look at what are inside the sentences.

For the tables, graphs or pictures, we apply the same rule that when we manually check it but the unit could be a finished phrase (the way people use to write a sentence inside a table, graph or

picture). The aim of the content analysis is to understand if and how CSR disclosure change over time, before, during and after (a) scandal(s).

Expected output

Sustainability reports in English: We look for specific information related to the five topics with different scopes of the companies including departments and companies at a whole. In addition, changes in contents and volume are expected that companies provide more information after the scandal(s). The information is not need to be directly mention but it could be inferred.

Interviews: A detail information/ picture that could not be known through the reports only. We look for some insights from companies' employees who understand companies' internal situation and reality.

CEO's letters: We look for an overview picture of the change in CSR disclosure during years. We expect that the letters would share something related to company's hard period when it experienced a crisis or scandal.

National and international media or newspapers: We look for news about companies' scandal and some external points of views about how companies reacted to scandal(s) and some basic assessments.

CHAPTER 4: EMPIRICAL STUDY - CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE IN VIETNAM: HOW DID COMPANIES REACT TO SCANDALS?

This chapter is dedicated to analyze the how companies react to scandal by 2 case studies in a developing country - Vietnam.

Firstly, the chapter will introduce about external determinants of CSR disclosure by describing Vietnam context and then it will bring out the internal determinants of the CSR disclosure by picturing companies'. Secondly, using media source, the chapter continues to provide information related to companies' scandals. Next, it deeply breakdowns 5 chosen topics in three sustainability reports through three years 2015; 2016; 2017 of each company. Then, it will move on the investigations of CEO's letters at the beginning of each stand-alone sustainability report. Lastly, it will be analysis of four interviews done with companies' employees.

4.1. Viet Nam context

4.1.1. Vietnam contextual factor and its effects on CSR disclosure

Political and Legal Dimension

Vietnam experienced a period of country separation into two states with two different political systems in the north and the south, which was unified in 1975 to become a one-party state named The Socialist Republic of Vietnam (SRV) (Mantsios, 2010). There are four formal structures including the Vietnam Communist Party (VCP), the people's armed forces, the state bureaucracy (central and local government), and the Vietnam Fatherland Front (an umbrella group for mass organizations), which make up the regime (Thayer, 2010).

Vietnam's one-party state has been transitioning from a "hard authoritarian" to a "soft authoritarian" state since 1986, which facilitating the alternation of Vietnam's political structure while maintaining the commanding role of the party (Thayer, 2010). The advent of "Doi Moi" (economic and political reforms) in 1986 and Vietnam's open-door policy to the international community has brought tons of new political challenges for Vietnam when integrating with the global economy (Thayer, 2010).

Economic Dimension

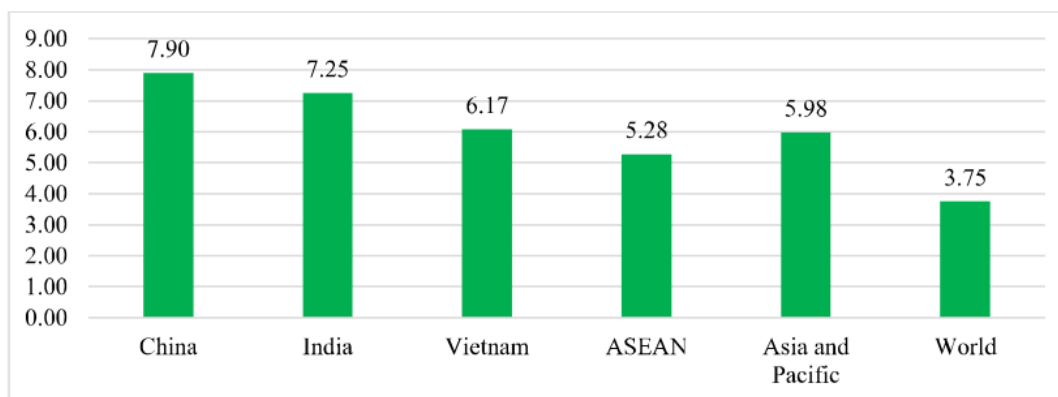
There has been a remarkable development record of Vietnam during the past 30 years thanks to the economic and political reforms "Doi Moi", launched in 1986, which helped to transform Vietnam from one of the poorest countries suffering great economic hardship during Vietnam War to a lower middle-income nation (Bodewig et al., 2014). Vietnam transitioned to a market economy, under the leadership of its Communist Party, while maintaining its socialist ideology (Mantsios, 2010).

Vietnam was dominated by state-owned sectors with government support and closed to FDI (Foreign Direct Investment) until "Doi Moi". From "Doi Moi", the foreign-invested firms played an increasingly important role in production and job creation in the country (Coxhead, 2007). Devaluation and the relaxation of many trade barriers facilitated export growth, helped improve the share of trade in GDP (Coxhead, 2007). The country continued to integrate into international economic through opened trade with China and ASEAN, expanded bilateral links with the United States, and joined WTO in 2007 (Coxhead, 2007).

The economic performance during the period 2010-2017 showed positive progress with average GDP growth is approximately at 6.17 percent per year. With such positive result of higher

GDP than the average level of the ASEAN region, Vietnam has become one of the emerging countries with fairly good economic growth rate in recent years (ILO, 2018).

Figure 4.1.1a Average Annual Growth Rate of GDP, 2010-2017 (percent)

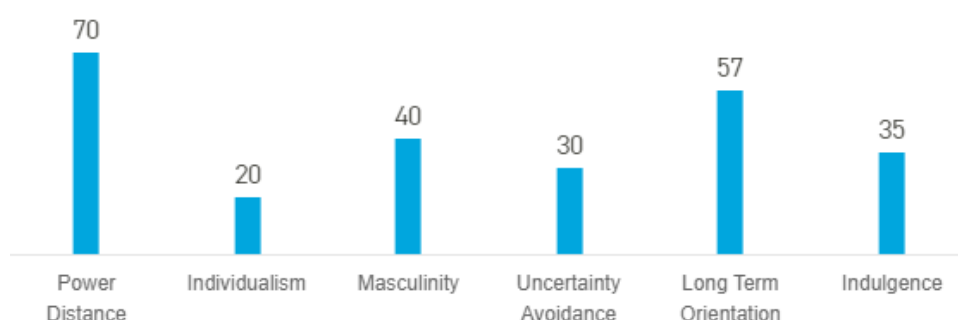


Sources: International Monetary Fund, World economic Outlook database. (ILO, 2018, p.5)

Social, Cultural Dimension

Vietnamese culture has been influenced by five main value layers, including traditional values, Confucian and Taoist values, Buddhist values, Western values and Socialist values (Ha et al., 2014; Nguyen, 2016). To understand more about Vietnamese culture, the author presented here the Hofstede model of national culture, applying in Vietnam context, which consists of six dimensions: power distance, individualism, masculinity, uncertainty avoidance, long term orientation, and indulgence (Hofstede Insights, 2018).

Figure 4.1.1b Vietnam cultural dimensions



Source: (Hofstede insights, 2018b).

In general, Vietnam accepts hierarchical order in which everyone has a position with high score of 70 for power distance (Hofstede Insights, 2018). Moreover, Vietnam is a collectivistic and feminine society (with scores of 20 and 40 for individualism and masculinity respectively) which means people are not focused on material success but pay more attention to quality of interpersonal

relationships and to equality and quality in working life. Moreover they prefer incentives like free time and flexibility (Hofstede, 1983; Chompookum et al., 2004; Hofstede Insights, 2018). Besides that, Vietnam culture has lower preferences for avoiding uncertainty so that this society maintains a more relaxed attitude in which practices are more preferred than principles, schedules are flexible, innovation is not perceived as threatening as well as variation from the norms is more easily tolerated (Hofstede Insights, 2018). People in Vietnam believe that truth depends a lot on different situations, contexts and time; therefore it is easier for this society to adapt traditions to changed conditions of present and future (Hofstede Insights, 2018). Last but not least, Vietnam is a restrained society, implying that Vietnamese people do not place much emphasis on their desires or leisure time and usually perceive that their actions and behaviors are restrained by social norms (Hofstede Insights, 2018).

4.1.2. CSR Disclosure in Vietnam

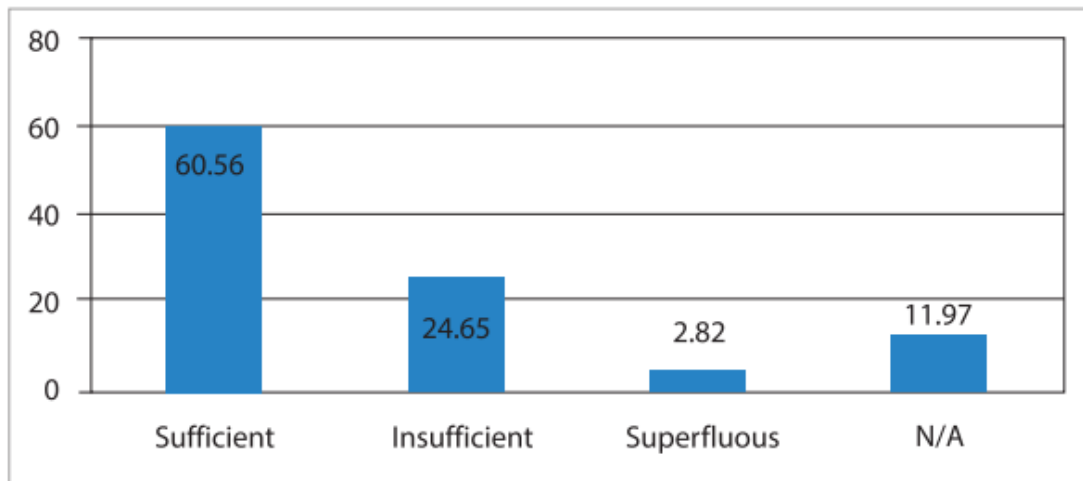
Similar to other developing countries, the first and priority of doing business in Vietnam is the profit generating. Consequently, little to no attention is paid on the CSR by managers, customers as well as the government (Okafor, E. E., Hassan, A. R., & Doyin-Hassan, A., 2008). However, global economy has been pushing developing countries to catch up with the trend. The companies in developing countries are more engaged to the social responsibilities to secure their market share and competitive advantages (UNIDO, 2002). Therefore, CSR activities have become a crucial part of their strategies and implementation plans.

CSR activity and reporting practices in developing countries are significantly determined by the history, politic, economy and culture. In particular, the state is the main driving force of CSR practices in Vietnam (Desta cited in Tolhurst, N., & Pohl, M., 2010). However, as the CSR operations and reporting are not codified in Vietnam, the adaption of such activities in Vietnam is very limited in quantity and quality. Only the large companies engaged to CSR and sustainability development in Vietnam (Tran T. N., 2014).

In recent years, the sustainability development is becoming a serious issue in Vietnam for the Vietnamese government and enterprises. As a result, Vietnamese companies integrate these activities into their strategies and business operations. Nevertheless, making the report on sustainability development operations is relatively new to Vietnamese companies although it is common around the world. According to a survey conducted by Vietnam Business Council for Sustainable Development (VBCSD), among more than 150 outstanding businesses which represent industries like energy, manufacture and commerce in Vietnam on the topic of “Sustainable Development”, more than half of businesses participating in the survey had basic knowledge of the

sustainable development concept, with 60.56% of respondents answering fully 03 fields of sustainable development, namely economy, society and environment.

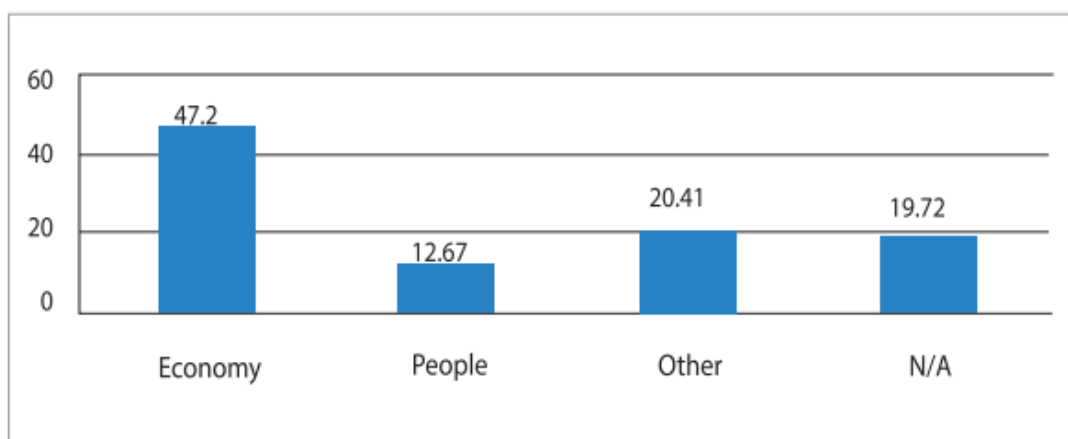
Figure 4.1.2a Respondents' knowledge of sustainable development



Source: (VBCSD, 2015, p.11)

Assessing respondents' knowledge of corporate social responsibility: 47.2% of respondents correctly selected "economy" as the missing word in the question, 12.67% of respondents chose the answer "people"; 19.72 % of respondents left it unanswered and 20.41% of respondents selected other options, such as "community", "sustainable development", "doing business", "businesses", "development", etc.

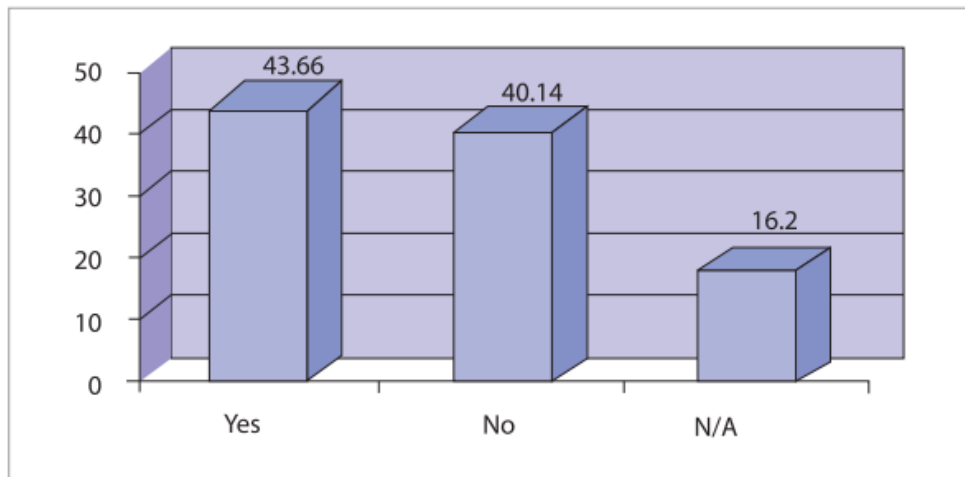
Figure 4.1.2b Respondents' knowledge of CSR



Source: (VBCSD, 2015, p.12)

Assessing respondents' knowledge of the sustainability report "Have you ever heard about the sustainability report?" 44% of business representatives answered "Yes" and more than 50% remaining respondents chose "No" or left it unanswered.

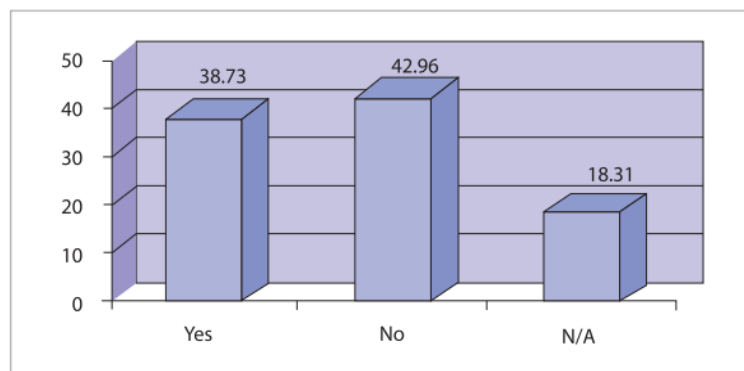
Figure 4.1.2c Respondents' knowledge of Sustainability Report



Source: (VBCSD, 2015, p.12)

Assessing the current usage of sustainability reporting: "Has your business implemented sustainability reporting?" 38.73% of respondents believed that their companies have conducted sustainability reporting (Figure 6). However, compared to the other answers, the percentage of businesses that have the ability to do sustainability reporting was much lower, with the probability of reliability being less than 10%. This result showed that only about 3.90% of the businesses surveyed are actually conducting a sustainability report. Figure 6: The current usage of sustainability reporting in businesses operating in Vietnam

Figure 4.1.2d Respondents' knowledge of Sustainability Report



Source: (VBCSD, 2015, p.13)

In conclusion, Vietnamese businesses are aware of sustainable development although the level of awareness is not sufficient; the majority of businesses have not implemented sustainability reporting and been fully aware of it; despite limited knowledge of sustainability reporting, most of the survey participants can see benefits of sustainability reporting and have desire to implement it in future; the majority of businesses expressed their desires to get support and guidance for sustainability reporting (VBCSD, 2015). Adapting to the global trend, more Vietnamese companies published their sustainability reports and include their CSR disclosure in annual reports. Especially, the multinational companies like Deloitte, Holcim, and large listed companies in Vietnam like the Bao Viet Holdings, the Vietnam Dairy Product Joint Stock Company are the trend leaders in this field. As a result, the sustainability report award was organized by the SSI, HOSE, Stock Investment Journal and Dragon Capital in 2013. The award encourages Vietnamese companies to be more transparent about their sustainability development activities.

4.1.3. Role of Vietnamese government in promoting CSR reporting practices

The Vietnamese government has the most controlling power over the encouragement of CSR reporting among Vietnamese enterprises. The encouragement takes place in forms of the defined laws, regulations or the cooperation with international organizations, nongovernment organizations (NGOs) and multinational companies.

Until now, in Vietnam, there is no regulation or law regarding the production and publish of sustainability reports. In another word, CSR Disclosure is not mandatory in Vietnam. However, the companies are encouraged to comply with such practices, and get used to being transparent about their sustainability development activities. In addition, the SSI: Sai Gon Securities Incorporation (SSI) and International Finance Cooperation (IFC) produced the Sustainability Reporting Guidance for Vietnamese Enterprises to assist Vietnamese companies with sustainability report preparation. The Guidance suggests the process and standard disclosure indicators for companies to produce sustainability reports. Also, the Guidance helps the companies to measure, manage and disclose on their significant environmental and social impacts (SSC & IFC, 2013). The very first sustainability reports of 2012 by large listed companies like the Bao Viet Holdings, the Vietnam Dairy Product Joint Stock Company signals the positive outcomes of the Guidance.

Following the publish of Sustainability Reporting Guidance for Vietnamese Enterprises, many other attempts were made to build a transparent and sustainability-oriented environment for Vietnamese enterprises. Such attempts are the Introductory Workshop on Sustainability Reporting in Hanoi in June 2013, calling for the support of GRI, IFC for improving CSR reporting practices in

Vietnam, the cooperation with United Nation Global Compact (UNGC) to promote for sustainability development and the Award for Sustainability Reports by VCCI and SSC.

Circular No. 155/2015/TT-BTC on Disclosure of Information on the securities market

On 6 October 2015, the Ministry of Finance of Vietnam (“MoF”) issued Circular 155/2015/TT-BTC (“Circular 155”) superseding Circular 52/2012/TT-BTC (“Circular 52”) regarding information disclosure on securities markets.

Effective from 1 January 2016, Circular 155 comprises 10 chapters, 37 articles and revised requirements which adapt to local practice and Vietnam laws on securities. There are a several articles of the Circular directly relate to CSR disclosure in Vietnam.

First, identification of persons in charge of information disclosure Circular 155 defines “persons in charge of information disclosure” for each type of subjects. For corporate subjects, a person in charge of information disclosure is their legal representative or an authorised person. Individual subjects may disclose information by themselves or authorise another party to fulfil this obligation.

Second, tighter deadlines of information disclosure were required. Specifically, deadlines for disclosure of semi-annual financial statements and quarterly financial statements have been moved forward and are applicable for listed entities and large public companies. According to Circular 155, these entities must publish their semi-annual reviewed financial statements within 5 days since the auditor’s review report date but no later than 45 days subsequent to the six-month period ending date and quarterly financial statements within 20 days since the quarter ending date. In addition, Circular 155 stipulates the deadline for disclosure of the Annual report which is 20 days since publication of the audited annual financial statements but no later than 120 days since the year end date. All applicable instances of extraordinary disclosure have to be disclosed before a single deadline which is 24 hours. Also in this section, it is stated that dissemination of Annual General Meeting pack shall be disseminated at the latest by ten days before the AGM opens.

Third, Circular 155 supplements more cases to explain the fluctuation of financial ratios in financial statements. In addition, the public companies have to disclose foreign ownership, and corporate objectives with regard to the environment, society and sustainability.

Fourth, the Circular clarifies the exemption from disclosure obligation. Where the major shareholders’ ownership proportion of voting shares in issue changes by more than 1% due to share buy-back or share issuance, they are not obliged to disclose.

Lastly, it mentions the adaption to prevailing laws on securities. The Circular also updates technical terms and specified requirements applicable to particular subjects (brokers, fund

managers, public funds, VSD and stock exchanges) in accordance with their operational requirements and prevailing laws on securities.

Sustainable Development Strategy for 2011-2020

The following paragraphs summarize Vietnam National Report at the United Nations Conference on Sustainable Development RIO +20 in 2012 (Socialist Republic of Vietnam, 2012).

After the 20 years pursuing national sustainable development targets, particularly since the adoption of the Strategic Orientation for Sustainable development on 17th August 2004, remarkable achievement in economy, society and environment have been recorded. However, to maintain the current status as well as moving further in the ladder of sustainable development, significant effort is needed to get over numerous challenges and shortcomings.

Since the Earth Summit in Rio in 1992, Vietnam has been focused in improving the Institutional framework for sustainable development in a visionary manner, which is supposed to harmonize all the economic, social, environmental fields and implemented in vast territorial regions. It is emphasized in the National Report that attention should be paid to solutions related to the legal environment and the modern organizational and managerial system.

Regarding the system of legal regulations, it is necessary to adopt in a strongly decentralized and democratic manner a new Constitution with the views on sustainable development, green growth and people's participation as the owner of the country. Especially, it is necessary to adjust policies and regulations related to the promotion of economic restructuring for sustainable growth, job creation, increase people income, enhance efficiency of the use of natural resources and environment protection as well as the development of sustainable life style, production and consumption. In organizational and management system aspect, it is essential to develop a system to ensure the mechanism of power oversight and democracy.

During the journey of 20 years with sustainable development, the following lessons have been withdrawn as the backbone for the strategy in the 2011-2010 period. First to mention is the commitment and determination of the government to the preset goals, which should be keep consistently from central to local level. Specifically, the international sustainable development commitment should be localized and mainstreamed into national development strategies, plans and programmers. Secondly, the involvement of the entire population in the country is a critical condition to achieve sustainable development. Mobilization of main social groups therefore is needed to foster consensus in society, exploring the combined strength of the entire nation and effectively mobilizing the resources for national development. The synergy of internal resources and international cooperation is also a decisive factor. The successful story recognizes Vietnam's

effort in striving to promote active and proactive international integration to become a friend, a reliable partner and responsible member of the international community

4.2. Case study 1 – Vinamilk – Dairy industry

This section studies about Vietnam Dairy Products Joint Stock Company's CSR disclosures through 3 steps including describing the company, investigating the scandals and then analyzing its CSR disclosures.

4.2.1. Company overview

Vietnam Dairy Products Joint Stock Company (Vinamilk) was established in 1976. Over 40 years in the dairy industry since its establishment, Vinamilk has become the biggest dairy company in Vietnam. In 2017, it reached record sales of VND 51,135 billion (Vinamilk's Sustainable Development Report 2017, p.4). Its product portfolio has reached over 250 SKUs covering 6 main product categories: liquid milk; yogurt; powdered milk & nutrition powder; sweet condensed milk; ice-cream, cheese; soya milk, fruit juice & beverages.

According to an industry report of Nielsen published in October 2017 (Vinamilk's Sustainable Development Report 2017; Press Release in July 2018), Vinamilk's fresh milk product has led 50% of the fresh milk brand segment in amount and sales from 2015 to July 2017. Also in the similar Press Release, it claimed a covering of 80% of yogurt market, 80% of condensed milk, and 40% of powdered milk.

The company is operating 3 branches in Hanoi, Danang and Can Tho; 13 factories across the country; 2 warehouses in Hanoi and Ho Chi Minh city; and 3 subsidiaries providing raw materials in the country and overseas (Vinamilk's annual Report 2017). Its dairy products are being delivered to 251,000 retail points via 202 distributors, at 418 of its own store chain called "Vietnam Dairy Dream", in over 3,250 supermarkets and convenience stores in Vietnam, and via an e-commerce channel giacmosuaviet.com.vn since late 2016 (Vinamilk's annual Report 2017).

Vinamilk started entering foreign markets such as New Zealand, US since 2010 via capital investment into dairy companies. Along with increasing its stakes in these companies in recent years, Vinamilk has also risen its existence in Southeast Asian markets such as Myanmar, Cambodia via new product brand and dairy factory establishment respectively. Besides, Vinamilk has gradually renovated its production technology by importing modern production lines from developed markets such as the US, Denmark, Germany, Italy. (Vinamilk's Development History)

Mentioning about the big achievements that Vinamilk has proved for its success so far, Vinamilk is listed in Global 2000 (Forbes 05/2017), Nikkei Asia 300 (Nikkei 06/2017), Top 40 most valued brands in Vietnam (Forbes Vietnam 07/2017), Top 10 Prestigious Listed Companies

(Vietnam Report 12/2017) and only brands in dairy industry awarded for high product quality over 21 consecutive years voted by consumers in High quality Vietnam goods 2017 (Business Association of High Quality Vietnamese Goods 03/2018). (Annual Report 2017)

Appearing as a successful image of a company in the dairy industry in Vietnam market and supporting for the movement of entering foreign markets, Vinamilk has paid much attention in its corporate social responsibility over years. In 2013, it published its CSR policy for the first time. In 2012, it first separately published its Sustainable Development Report and takes responsibility of publishing annual Sustainable Development Report. Vinamilk is also famous as *a pioneer in the organic dairy market* in Vietnam, initiated with Vinamilk Organic Fresh Milk certified by USDA in 2016.

4.2.2. Industry Crisis

Most of the scandals in dairy industry over recent years associate with *the material and/or products quality* provided by suppliers from China, New Zealand.

The most serious case is the scandal of milk powder in China in 2008. Specifically, there were twenty two Chinese companies in the dairy industry such as Sanlu, Mengniu, Yili, Yashili detected of having a toxic level of melamine in their products. A statistic of six babies killed and about 300,000 children got ill was recorded during the melamine scandal.

Following this incident, more than 20 milk products in Vietnam were also confirmed being contained Melamine by Food Safety Agency in the same year. The news caused much concerns among parents having babies. They worried about the quality of dairy products imported from China as well as those produced by domestic companies.

The next case need to be mentioned is Fonterra from New Zealand. Fonterra is a big milk producer in the global market. In one side, Fonterra has an “indirect” connection to the milk scandal in China in 2008 since the company owned stocks in those Chinese companies. Therefore, something could be done for the issues of contamination in their milk products when they knew about it 6 weeks before the public recall. Again, in 2013, Fonterra had to recall about 1,000 tons of its dairy products from countries such as China, Vietnam, Thailand, Malaysia, and Australia after having been found a type of bacteria causing botulism by New Zealand authorities. Following this, ten thousands of boxes of Similac Gain Plus Eye – Q canned and sold by Abbott Nutrition Vietnam were recalled in Vietnamese market.

Mentioning about another case relating to contamination in dairy product, the case of Lactalis baby milk products tainted with Salmonella began in 2005 and lasted unsolved over many years. In 2017, Lactalis imported products into Vietnam were recalled due to the risk of being contained

Salmonella. In addition, some scandals or quality issues in dairy products imported from France, Japan, US into Hong Kong, Malaysia have also raised alert for consumers in Vietnam since these products can be hand-carried into Vietnamese market.

Apparently, the quality issues in dairy products have become alert over recent years. Especially, parents have become much confused about which products to feed their babies for the worries of being infected with bacteria or being poisoned by industrial materials mixed with milk powder.

Besides the quality issues, there was a concern about *misleading information on packaging* on imported dairy product. For example, the case of Danlait canned powder milk imported by Manh Cam Company from France in 2013. The company committed a wrong-doing in providing inadequate and misleading information on the translated label for Danlait product. This led to confusions in domestic consumption

Changing in consumer perception is another aspect which can affect to the whole industry. Specifically, when living standard is high, people tend to consume better origin products such as bio products or organic products. People do not only consume animals' milk but also milk from plants, cereal, dry fruits, etc.

However, facing these difficulty, VNM profit still rose up. Its activities could be considered that it was not hit by industry crisis.

Table 4.2.2 Scandals in milk industry over years overall the world

Product	Company	Origin/Impacted market	Reason	Date
	22 companies from China such as Sanlu, Mengniu, Yili, Yashili.	China/many countries + Vietnam	Contained melamine - an industrial chemical substance. More than 20 milk products found tainted with Melamine in Vietnam by Food Safety Agency in the same year of China milk scandal 2012	2008
Similac Gain Plus Eye – Q (recalled)	Abbott Nutrition Vietnam using raw materials imported from Fonterra New Zealand	New Zealand/Vietnam	Worried about being infected with Clostridium Botulinum germ	2013
Dumex Gold	Danone Dumex	Malaysia/Vietnam		
Meiji’s baby formula powder milk (recalled)	Meiji	Japan/Japan	Tainted with radioactive cesium	2011
Meiji “capsule” baby milk powder (examined by Centre for Food Safety in Hong Kong)	Meiji in Hong Kong	Japan/Hong Kong	Lower level of biotin than needed for cell growth	2012
Chocolate Nesquik (recalled)	Nestle US	Nestle/US	Salmonella risk from raw milk material supplied by Omay Inc.	2012
Product	Company	Origin/Impacted	Reason	Date

		market		
Baby formula milk product	Wakodo, Morinaga, Meiji	Japan/Hong Kong	Level of iodine is less than a third of the standard recommended by WHO	2012
Nestle baby formula powder milk	Nestle	Nestle/US, (Vietnam via import)	Faults in marketing claims among different national markets.	2018
Lactalis baby milk	Lactalis	France/France + Vietnam	Tainted with Salmonella. Recalled tainted products from Lactalis in Vietnam in 2017.	2005 - 2017
Danlait	Imported by Manh Cam company	France/Vietnam	Inadequate and misleading information on package labeling.	2013

Source: Author's elaboration

4.2.3. Company Crisis

In 2013, when Fonterra had to recall tons of milk powder imported into several countries including China, Vietnam for fear of the bacteria Clostridium Botulism, there arose a rumor in the domestic market that Vinamilk was purchasing milk powder from Fonterra and importing dairy materials from China. Being sensitive to this rumor, the stock market reacted with the gradual down price of Vinamilk stocks over several days. Vinamilk later published the results of the product samples tested by The Agency of Food Safety of Ho Chi Minh city. The results confirmed no existence of the bacteria in the recent products of Vinamilk. The news helped Vinamilk stocks recover their prices. This case is a typical example proving that the markets of dairy products are quite sensitive to news of scandals related to quality issues in dairy industry. Scandals from foreign suppliers can trigger doubtless in the quality of local products. Consumers have become more careful and selective in choosing dairy products. If Vinamilk had not been able to on alert on quality management and public communication management, they could have been badly knocked down.

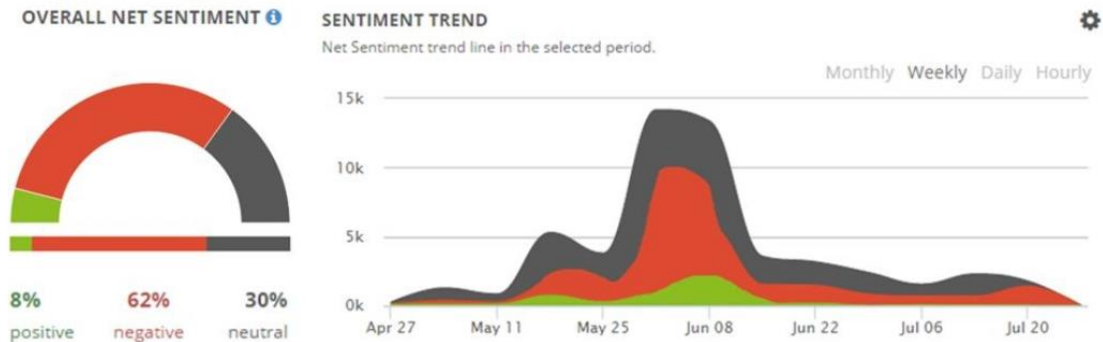
In 2015, customers boycotted Vinamilk among other companies who had H.N.H - a female celebrity - represent for their products. H.N.H was said to have been romantically involved for years with a wealthy married man who has three children (vir.com.vn, 2015). The man attempted to divorce his wife, embroiling his whole family in scandal (vir.com.vn, 2015). The boycott reached its peak a few days later when the man's wife expressed her sorrow on a social networking site and received only a cold response from her husband (vir.com.vn, 2015). The public were quick to express their support for the woman, with her post receiving 200,000 likes in less than an hour (vir.com.vn, 2015). The boycott campaign was ignited mainly by housewives (vietnamnet.vn, 2016, cafef.vn, 2016; petrotimes.vn, 2016; brandsvietnam.com, 2015). They shared many hashtags with the main content about boycotting brands related to HNH such as #hoadonkhongha (no invoice with H.), #saynotoha, #saynotounilever. The boycotting campaign was spreading like wildfire around social networking communities, particularly Facebook, by thousands of married women. Activists also prepared lists of goods made by major competitors, such as Procter & Gamble or Suntory Pepsi Co., to use in place of boycotted products. Vinamilk was also involved into this scandal since their soymilk product Goldsoy had H.N.H as its brand ambassador.

Mr. Cuong, managing director of social listening and consulting services provider Boomerang Company, said that *“these developments have certainly had detrimental impacts on firms' business operations. The social networking community proves their influence, as many brands have quietly removed photos of Ha from their websites”* (vir.com.vn, 2015).

Actually, there was no problem with the products' quality, but consumers need brands to respect their cultural perspective. Therefore, consumers stated that an example of a bad lifestyle like Ha's could not be used to promote their consumption (vir.com.vn, 2015).

This scandal of H.N.H received 62% negative discussion, 8% of positive discussion (mostly from her fans) and about 30% of neutral discussion.

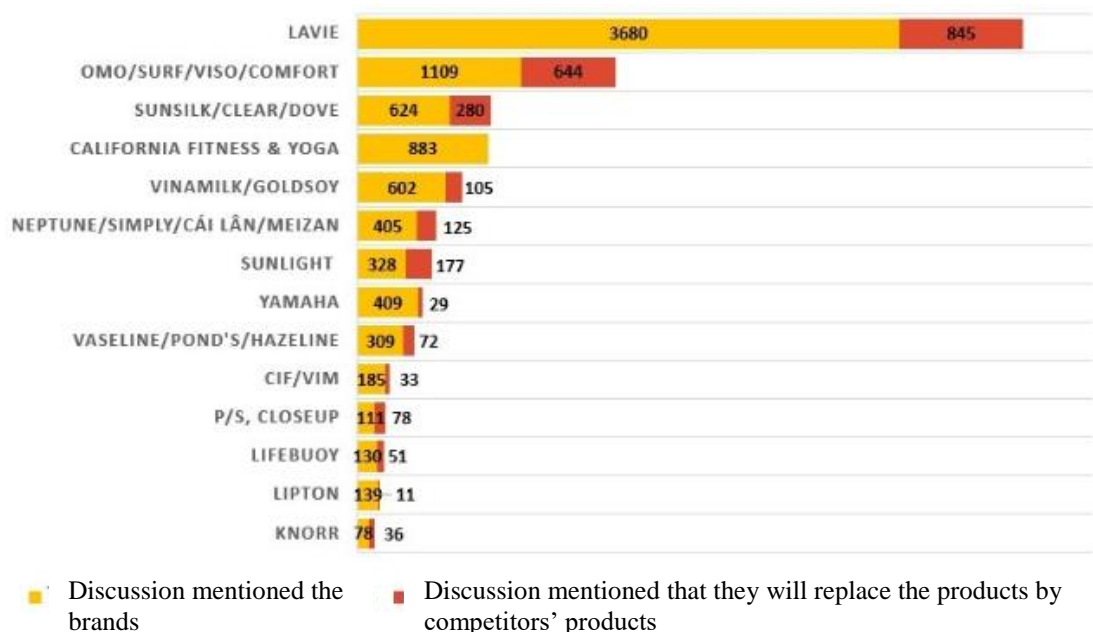
Figure 4.2.3a Sentiment Trend regarding H.N.H scandal



Source: (brandsvietnam.com, 2015)

Although Goldsoy Brand of Vinamilk was seriously boycotted, it received less negative discussion when the company reacted quickly to scandal by taking off the picture of H.N.H on their official website. Therefore,

Figure 4.2.3b Brands discussion volume of N.H.H scandals



Source: (brandsvietnam.com, 2015)

4.2.4. CSR disclosure analysis

Vinamilk become larger and larger every year. The larger organization scale becomes and the more activities are held, the higher responsibility for the sustainable development is and more widely it affects the society. Since this is an interactive relationship, while carrying out company mission and development, step by step, Vinamilk harmonize its business goals, sustainable development goals and social responsibility (Vinamilk 's Sustainability Report 2012). “Vinamilk hopes to become a corporate of not only large scale but also strong and high status and to bring solid value to society” (Vinamilk's Sustainability Report 2012, p.2).

Vinamilk announced its Corporate Social Responsibility Policy in 2012. Through this policy, Vinamilk has proposed its commitments of responsibility to stakeholders in relation to five issues that are indicated in the company's sustainable development orientation which are Responsibility for Products, Environment, Economic Development, Working environment and Public and Social Activities. (Vinamilk's Sustainability Report 2012, p.15). Vinamilk believes that this policy would create a closer connection between Vinamilk and its stakeholders including shareholders, consumers, state, customers, suppliers, and community. Then, it will help to form a deep understanding and respect, and jointly create common values and benefits for society (Vinamilk's Sustainability Report 2012, p.15).

VNM won the second prize of the *Sustainability Reporting Awards* organized jointly by the HCM City Stock Exchange (HOSE), the Hà Nội Stock Exchange (HNX) and Việt Nam Investment Review (VIR) magazine in April, 2018

Sustainability Reports analysis

Number of reports to be analyze: 3 reports of the year 2015, 2016, and 2017. The reports are analyzed through a qualitative content analysis (Easterby-Smith et al., 2015) based on GRI topics by a content analysis software named Atlas.ti (version 8.3.1) in order to produce a structured data analysis.

To begin with, the author reviews the volume of the each report. It could be seen that the number of pages increased during years which means that the company provided more information regarding CSR issues.

With VNM, as mentioned above, 2015 was a tough year that they both faced industry's crisis and their own company's crisis. Every year, they added about nearly 30 pages for their report from 103 pages in 2015 to 136 pages in 2016 and 150 pages in 2017.

Table 4.2.4a VNM's reports volume

Year	2015	2016	2017
Total volume	103 pages	136 pages	150 pages

Source: (VNM, VNM Sustainability Reports, 2015, 2016, 2017)

Second step is the analyzing of the Sustainability Reports using Alas.ti. We consider each sentence as a unit of analysis. Then, we give a score of 1 if it contains CSR info according to GRI that it related to the 5 topics including anti-corruption, effluents and waste, environmental compliance, human right assessment, customer health and safety. Otherwise, we give a score of 0.

For the tables, graphs or pictures, we apply the same rule that when we manually check it but the unit could be a finished phrase (the way people use to write a sentence inside a table, graph or picture). The aim of the content analysis is to understand if and how CSR disclosure change over time, before, during and after (a) scandal(s).

Anti-corruption: The score changed during years from 3 to 4 to 6 in 2015; 2016; 2017 relatively.

Taking sentences in 2015 and 2017 as examples: Year 2015: *“Vinamilk’s Code of Conduct is our commitment on integrity and transparency in all relationships with government agencies, partners and suppliers. This code is communicated to all employees of Vinamilk”* (VNM, Sustainability Report, 2015, p.105); Year 2017: *“In Vinamilk, prevention from conflicts of interest, anti-corruption and anti-bribery rules are always laid out in a clear and rigorous manner, and are disseminated to all workers in various forms: implementing directly through the management level, emailing to all employees, and being stated in the Code of Conduct”* (VNM, Sustainability Report, 2017, p.97), we can see that it shared similar concept about anti-corruption with different ways of expression.

Effluents and Waste and Environmental Compliance: The score changed during years without a rule, its increased and decreased depend on years. However, the author does not concentrate on these two topics in VNM’s reports. It will be deeply analysis in case of PNJ.

Human Right Assessment: Similar to anti-corruption topic, this topic is an important topic in CSR disclosure in developing countries. However, in all three reports, there were no sentences mentioning this issue.

Customer Health and Safety: In a dairy company, this topic may heavily weight for its products' characteristics and feature. It scored very high with 52; 44; 38 in the year 2015; 2016; 2017 relatively. Therefore, in VNM, products quality is one of the most important things that all departments involved. The reports captured the full picture of the company's supply chain in order to provide high quality products.

In all reports, “number of factories were certified ISO 9001:2008, FSSC 22000:2011”, “number of factories have their laboratory certified to follow ISO 17025 standard”, “Number of factories achieved FDA certificate of USA”, “number of food hygiene safety violations”... were reported. VNM clarified that there were no “product withdrawals due to quality non-conformance” or no “food hygiene safety violations” which could strengthen the image of the company regarding products' quality.

Another key thing to be mentioned is that customer's nutrition. All three reports provided detailed information about it. Specifically, in the year 2015, it stated that *“Vinamilk is fully aware of the extreme importance of food in daily life and the demand for choosing perfect nutrition source in both quantity and quality, Vinamilk always improves and makes constant efforts to bring the best nutrition source, to meet demands in each phase of life and development. Products developed by Vinamilk emphasize on nutrition demand of individuals, from the daily need such as providing natural nutrients, supplementing nutrition, various demands by taste for the special needs of diabetics, supplementing calcium, increasing height, late eating, etc. We treasure each product through the formula with special nutritional ingredients studied in accordance with Vietnamese physical health and the ever-changing demand of consumers.”* (VNM, Sustainability Report, 2015, p.43).

Similarly, in the year 2016, it said *“Vinamilk actively improves the quality and nutritional diversity of existing products and promote the science application of nutrition into new products. As of 2016, Vinamilk is proud with its diversification of product portfolio, its variety in nutritional options to serve for many kinds of entities from newborns, children with special nutritional needs (stunting & underweight, inadequate food intake, etc.), women in pregnancy and lactation, the elderly people and others who have demand for functional food (diabetics, people requiring to supplement calcium, the sick people, etc.)* (VNM, Sustainability Report, 2016, p.93). And in the year 2017, the report mentioned that *“For over 40 years of development, Vinamilk has been pioneering the development of new products leading the*

trend of nutrition and health according to the highest global standards. The current product portfolio of Vinamilk has more than 250 products in the following key product lines: milk, yogurt, powdered milk and nutritious powder, sweetened condensed milk, ice cream, cheese, soy milk, fruit juices and beverages to meet the diverse needs of various objects.” (VNM, Sustainability Report, 2017, p.126)

All three reports illustrated specific products for specific consumer segments as below.

Table 4.2.4b Comparison of VNM’s Sustainability Report

Object	Typical demand	Brand and featured product
Infant (0-12 months)	Brain development, supplementation of special nutrients	Dielac Alpha, Optimum Gold
Young children in the development stage		Dielac Pedia , Dielac Alpha , Alpha Gold, Ridielac, VNM CanxiPro, Dielac Grow Plus, Alpha Gold
Children with special nutritional needs (stunting, lack of calcium, boosting immunity, digestion, etc.)	Weight gain, increased resistance, health protection, increased height	Grow Plus, Pedia
Normal person	Protection for health and joints, fitness, beautiful skin, enhanced digestive system, clean products, organic, vitamin and mineral supplement, etc.	Ong Tho sweetened condensed milk, cheese, pasteurized/sterilized fresh milk, Organic milk, Vinamilk ice cream, Vinamilk yogurt, Soy milk, Vegetable and fruit juice, Artichoke tea, Probiotic yogurt
Pregnant and breastfeeding mothers	Strengthened nutrition, increased resistance, protected health of mothers and children	Dielac Optimum Mama, Dielac Mama
Elderly people or persons with special nutritional needs	Specialized products for diabetics, osteoporosis, daily supplements/meal substitutes, etc.	Sure Prevent, Calcium Pro, Diecerna

Source: (VNM, Sustainability Report, 2017, p.126)

Although there were differences in brand and feature product as the company launched some new brands every year but the other items were similar.

Table 4.2.4c Comparison of VNM’s Sustainability Report

YEAR/ITEM FOLLOWING	GRI CODE	2015	2016	2017
Anti-corruption				
Operations assessed for risks related to corruption and significant risks identified	205-1	4	3	6
Communication and training on anti-corruption policies and procedures	205-2			
Confirmed incidents of corruption and actions taken	205-3			
Effluents and Waste				
Water discharge by quality and destination	306-1	14	7	11
Waste by type and disposal method	306-2			
Significant spills	306-3			
Transport of hazardous waste	306-4			
Water bodies affected by the organization’s discharges and/or runoff	306-5			
Environmental Compliance				
Non-compliance with environmental laws and regulations	307-1	4	7	3
Human Rights Assessment				
Operations that have been subject to human rights reviews or impact assessments	412-1	0	0	0
Employee training on human rights policies or procedures	412-2			
Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	412-3			
Customer Health and Safety				
Assessment of the health and safety impacts of product and service categories	416-1	52	44	38
Incidents of non-compliance concerning the health and safety impacts of products and services	416-2			

Source: Author’s elaboration

4.2.5. Analysis of CEO letter

Year 2015

The CEO stated that “2015 was an **important year** in deployment of important steps to complete the 5-year plan in 2012-2016 and was also a pivotal year for preparation of development strategies in new period 2017-2021. Throughout the past development stage and the future development orientation, sustainable development is always the goal that Vinamilk aims to and is a core value in all our plans” (VNM, Sustainability Report, 2015, p5). In the report of the year 2015, VNM clarified that its sustainable development orientation including:

Product responsibility: VNM placed product quality as the *core foundation* (VNM, Sustainability Report, 2015).

Environment & energy responsibility: The letter mentioned that VNM “*commits to continue implementing the solutions in conformity with the investments in finance, human resources and management system to ensure proper management of wastes meeting regulatory standards, effectively use of natural resources, optimize energy efficiency and continue to use clean energy sources to contribute to the great goal of greenhouse gas reduction*” ((VNM, Sustainability Report, 2015, p.5).

Social responsibility: In 2015, Vinamilk is rated as one of the organizations with the *best working environment* in Vietnam. This shows that Vinamilk strived to build a good working environment to attract workers. The letter also shared about transparency aspect in VNM’s operational policy and in relation to the stakeholders (VNM, Sustainability Report, 2015).

Finally, it emphasized community activities at VNM that these activities became a tradition and an integral part and in the overall operation of VNM that the company actively participated in the activities for community benefit together with the activities of the State, the unions, and social organizations (VNM, Sustainability Report, 2015).

In short, the letter shared what company did during the year and the sustainable development direction of the company focused on 03 main groups of objectives Product responsibility, Environment & energy responsibility and Social responsibility

Year 2016

VNM experience industry and company crisis during the previous years, in the letter of the year 2016, the CEO mentioned that “*2016 was starting-up in hard times, firmly going through many ups and downs and now rising to become the leading dairy company along with the sustainable and stable development*” (VNM, Sustainability Report, 2016, p5).

Different from the letter of the year 2015, in this year letter, they did not divided it into three main groups objective but they stated that “*Vinamilk affirms that People, Product and Planet are the main factors to help it keep advancing in the sustainability journey*” (VNM, Sustainability Report, 2016, p5).

People: “*Vinamilk is fully aware of the concerns of stakeholders and always strives to associate and improve cooperative relationships with them to increase efficiency and enhance value*” (VNM, Sustainability Report, 2016, p5). They assured that in the year of 2016, they brought a significantly value to stakeholders compared to the year of 2015 since they could balance the needs of stakeholders with the development orientation of the Company, from

incorporating sustainable development strategy into business strategy and from continuously investing in its human resources (VNM, Sustainability Report, 2016).

Product: *“Considered quality as the vital goal, Vinamilk always care for customers’ health, continuously innovates, improves products and pioneers in joining hands to the permanent mission of Vietnamese stature and intellect development”* (VNM, Sustainability Report, 2016, p.5). It continued to introduce many new products to consumers, specially, organic product - the first organic fresh milk product in Vietnam to improve nutrition quality of Vietnamese people (VNM, Sustainability Report, 2016).

Planet: *“Being responsible in production and operation, using natural resources effectively, joining hands for environmental protection and complying with the laws are the principles and guidelines for all Vinamilk’s activities”* (VNM, Sustainability Report, 2016, p.5).

In a nutshell, the Sustainable Development Report 2016 emphasized the hard time that the company experienced in 2015 and represented the contents relating to the three key factors of People, Product and Planet, showing Vinamilk’s approach and orientation for sustainable development and its practical achievements gained during 40 years. The letter mentioned the new phase of challenges and opportunities of the company with clear objectives that to become one of the world’s biggest 50 dairy companies; to implement clean production and green livestock breeding, to reduce CO2 emission in value chain, to pioneer in modern manufacturing technology, to provide Vietnamese products with international quality, to create a safe, dynamic working environment to promote capability, to increase values brought to stakeholders (VNM, Sustainability Report, 2016).

Year 2017

Another 1 more year after the scandal, in the letter, VNM’s CEO shared about economic gains of the company during the year that it reached record sales of VND 51,135 billion and became one of the 50 largest dairy companies in the world in terms of sales (VNM, Sustainability Report, 2017).

In this letter, they told about how they integrated the effort and creativity of the Board of Management and all employees of the Company; support and cohesion of consumers; support and companionship of the Government; dedicated cooperation of suppliers and partners; and the trust of shareholders and investors (VNM, Sustainability Report, 2017).

In the letter, they directly mentioned *the journey of sustainable development*. They shared about 3 milestones that they achieved in the field that the company internally evaluated the business and compared it with the global and national sustainable development picture and

then set out a feasible road map and strategy that was eligible, aiming to integrate broader and deeper sustainable development goals into production and business; they improved their transparency in information disclosure, including financial and non-financial information, and they reviewed the needs and expectations of stakeholders, seeking optimal approaches and solutions to understand, integrate, and to work with stakeholders for sustainable development (VNM, Sustainability Report, 2017).

In conclusion, this report was clearer in showing the direct connection between company's business and sustainability development. It mentioned *the "information disclosure"* which was not mentioned in previous reports.

4.2.6. Interview analysis and analysis

First interview¹

Mr. H was chosen to be interviewed because he is the one who is in charge of company's sustainability reports. He is the Director of Internal Control and Risk Management with more than 10 years of experiences in the industry and 6 years working on sustainability reports. From 2013 when State Securities Commission (SSC) of Vietnam, together with some organizations and some international associations organized some training courses to provide information about sustainability reports and how to disclose it, he was assigned to be the one who prepares this report.

Interview results and finding

He suggested that VNM decided to disclose CSR information because of the interest of its *"consumers, media and other stakeholders when they paid attention to issues related to environments, transparency, products and regional or local development."* In which, local development is an important factor. Another reason is that SSC of Vietnam offered some training courses to provide needed knowledge for the firms. Therefore, VNM explored, approached, and built the system methodical. When VNM enters global market, VNM realized that *"international consumers cared of the company sustainability status. They wanted to know whether the company satisfied all the government regulations/laws, environment protection, labor policy, human rights protection"*. He also mentioned that *"foreign partners paid attention on the whole VNM supply chain and they ask whether our partners can do as VNM does"*.

¹ The four interview transcripts are in the appendix. However, as interviewees' request, some parts are deleted for confidential or sensitive reasons.

He thought that his company's target stakeholders are *"consumers, investors, shareholders, partners and other organizations in company supply chain, relatively"*.

VNM announced the Sustainability Report to its stakeholders by *"annual general meetings of shareholders and company website, emails and contacts"*. There is no specific event for stakeholders to share, to evaluate or to request more information for the reports. However, from his answer, it could be referred that he does not keep on providing the sustainability report to stakeholders since it is voluntary reports.

Opposite to author's expectation that VNM will provide more information related to its product, the interviewee stated that his *"company's stakeholders highly regard issues related to environment, human right policy and labor policy"*.

Since CSR disclosure is a new concept in Vietnam and VNM is one of the pioneers enterprise are doing it, they faced several difficulties during the process of making the report. First, in the initial years, they *"did not know what should be included in the report, what contents that people concerned about or what standards that we should apply"*. In general, it was about methodology. Secondly, he mentioned *"task assignments"* when they did not know which department would be in charge of the sustainability report. Then, they needed to communicate and educate all of their staff to increase their cognitions.

He thought that his *"company reports are well-done report if we compare it with other Vietnamese company's. If we apply international measure, our report is in learning stage"*. In the year 2019, VNM has a project with Pwc to review our standards with international standards to figure out which areas VNM already fulfilled and which areas VNM need to improve to build a more long-term plan.

He mentioned that the reports could provide *"an overview and general understanding about a company including how that company is, how about its nature for stakeholders"*. He thought that *"if a company has a good sustainability report, the scandal could be a mistake or an accident."* Therefore, sustainability report could be used as a supporting document to prove company's nature when they face an issue or scandal.

How many of our employees have read the report and how many have provided feedback?

He believed that the awards that VNM received through years benefited the company for a several reasons. First, *"it is a signal to prove what VNM has been doing is right, that VNM is going on the correct direction"*. Secondly, through the sustainability report, all departments noticed and adjusted the problems in time. Lastly, *"the awards brought the proudness to employees. Employees would notice that their contributions were recorded"*.

However, he shared that he met some problem during the time he made the reports. First, sustainability development is new, thus, reporting sustainability activities as well as directions to meet global standard is a hard work for Vietnamese companies. Secondly, although board of director always gives support in human resource, finance to help the team fulfill the task but it is not enough for long-term plans as their participation is much more appreciated.

VNM sustainability reports were audited by the third party because he thought that it was more reliable.

Second interview

Ms. T is the second interviewee of VNM. She is a finance manager with 4.5 years in the company and 1 year with some sustainable projects. She shared that she keens on those projects and starts paying attention to CSR disclosure.

Interview results and finding

When she was asked about her understanding about CSR activities and reports in her company, she stated that CSR activities in her company *“had been done very well since the activities had been well-organized that encourage the participation of many employees”*. Mentioning about CSR reports, she thought *“it’s pretty new for employees”* and she did not read the whole report.

She thought it was no problem that the main focus stakeholders of her company’s sustainability reports were their partners or investors. She mentioned that her company noticed employees about a new report by the internal communication system and it was spread out when they received some/an award(s). Although she has knowledge and interested in sustainability report, she has never given any comment about the contents of the report because she had not read the whole report and she did not have any concerns related to the parts she read.

For the difficulty, she shared that the tasks related to the reports were clear for her although it was a huge amount.

Regarding the relationship between CSR disclosure and scandal, she believed that the report could be used for supporting firms during the period by proving their company’s characteristics or nature.

Lastly, she believed that “profit-only-oriented” operation is opposite to sustainable development.

4.3. Case study 2 - Phu Nhan Jewery – Gold manufacturing & Jewelry Industry

This section studies about Phu Nhan Jewery's CSR disclosures through 3 steps including describing the company, investigating the scandals and then analyzing its CSR disclosures.

4.3.1. Company Overview

PNJ - Phu Nhuan Jewelry Joint Stock Company was established in 1988 in Phu Nhuan, Ho Chi Minh city. Currently, PNJ has reached 700 trillion VND of registered capital. PNJ owns over 300 retail stores nationwide, employs 7000 staffs. PNJ is operating in the business fields of producing and trading jewelry of gold, silver, precious stones, fashion accessories, souvenirs; of trading watches and buying gold bars; of providing diamond, precious stones and precious metal inspection services; and of trading in real estate.

Started as a state-run company, in 2004, the company went through privatization and until 2009 it was listed in the domestic stock market HOSE. It is known as the first and only jewelry company in the industry listed in stock exchange market. In 2013, PNJ restructured its management system following international standards and customs. The company also planned to integrate sustainable development into its management. Since 2015, it started issuing sustainability report separated from annual report to the public. Following this act, PNJ gained an acknowledgement as top 10 of 100 most sustainable companies in Vietnam in 2016 by the Vietnam business council for sustainable development.

Its retail business in gold products in the domestic market maintains a compound annual growth rate of 30.5% since 2012. This is considerably supported by many new stores being open across the country and via online business activities. So far, exporting activities have reached foreign markets in 13 countries in 4 continents. Even though the revenue from export is quite modest and even less than that of silver business activities (about 4% of the revenues from gold business in 2016), it shows much the effort of the company in reaching international markets. Also, based on the operation capacity of 4 million product items per year, PNJ is considered as the leading **jewelry manufacturer and retailer** in Vietnam.

PNJ is the leader in the jewelry industry thanks to the development of its store chain across 45 provinces. In gold jewelry market is very fragmented with 80% market share of small businesses, only 20% market share for large enterprises and strong brands such as PNJ, Doji, SJC... In that 20% market share, PNJ's market share accounts for 26.5% (as of 2016), so PNJ's market share of the whole industry is about 5.3% which is the largest market share of a single brand in the whole industry (Trang T. T., 2017).

Among many admirable achievements, in 2016, PNJ was awarded “Top 100 best working places” in Vietnam 2016 by Anphabe.com, a managerial career network in cooperation with Nielsen, a market research company (Sustainable Development Report 2016, p.110). Mrs. Cao Thi Ngoc Dung – Founder, Chairman, and CEO – is selected as one of the most influential women in Vietnam.

4.3.2. Industry Crisis

Vietnam’s jewelry manufacturing industry has been operated by local manufacturers to primarily fulfill domestic demand. Nevertheless, during the past decade many local manufacturers invested in large-scale factories. Moreover, they carried out domestic and international marketing as well as ventured more in export markets (Trang T. T., 2017).

Prominent gem and jewelry firms, which have gained high market share in Vietnam’s gem and jewelry market, are Doji Gold and Gems Group; Phu Nhuan Jewelry Joint-Stock Company (PNJ), a private company; and Saigon Jewelry Company Limited (SJC), a state enterprise manufacturing and selling gold ingots and jewelry (Gem and Jewelry Information Center, 2017).

Vietnam’s gold jewelry production volume from 2006 to 2015 was relatively unpredictable. In 2012 the government issued the Decree No. 24/2012/ND-CP governing gold bullion manufacturing restriction, and unwrought gold importation and exportation (Gem and Jewelry Information Center, 2017). Gold jewelry production in Vietnam since 2013 onward failed as a result of the government’s strict control on gold importation under the Decree No. 24/2012/ND-CP. It is considered a primary obstacle for Vietnamese gold jewelry manufacturers’ business operation (Gem and Jewelry Information Center, 2017).

In the year 2015, there was a global downtrend in world jewelry market as well as gold industry (vietnamnet.vn, 2016). Therefore, Vietnam businesses in the jewelry industry also faced enormous challenges due to the instability of gold prices and the lack of transparency of product quality and the financial roles of the free jewelry market. In addition, Vietnam’s jewelers struggle to penetrate ASEAN market (vietnamnet.vn, 2016). Vietnam’s jewelers have to compete with strong rivals in the region such as Thailand and Indonesia, as companies can enjoy the preferential export tariff of zero percent while in Vietnam the export tariff on jewelry with gold content of 95 percent is two percent since 2015 (vietnamnet.vn, 2016). Meanwhile, Vietnamese companies have to use imported gold materials, precious stones and other materials, while input material prices fluctuate (vietnamnet.vn, 2016).

4.3.3. Company Crisis

PNJ faced a big crisis in 2015 in relation to the scandal of Dong A Bank.

According to the investigation agency, the shareholder group represented by Tran Phuong Binh (DAB's former general director and vice chairman) held approximately 18 per cent of DAB's charter capital. Binh, the husband of PNJ's chairwoman Cao Ngoc Dung, is identified as the mastermind behind causing financial damage of VND3.405 trillion (\$150 million) to the bank. His violations led to DAB's accumulated losses of VND31 trillion (\$1.37 billion) and negative VND25 trillion (\$1.1 billion) in equity at the end of 2015 (VIR, 2018). The expanded investigation in the Dong A Bank case is one of the major cases supervised by the Central Steering Committee for Anti-Corruption. In this case, 25 defendants have been prosecuted and VND2.8 trillion (\$123.35 million) of total assets were frozen and seized (VIR, 2018). People believe that PNJ has a strong correlation to DongA Scandal. The incident came after PNJ's business results took a downturn and news of the prosecution has been pressing PNJ's stock in the last three consecutive sessions of transactions (Trang T. T., 2017).

However, after scandal, PNJ's revenue and profit in 2016 show a significantly good growth of + 11.1% yoy net revenue and + 496% yoy of net profit (after adjusting for 2015) (Trang T. T., 2017). The main reason of this positive growth is that the investment in Dong A bank was made a full provision of 100%, which had a negative impact to PNJ's performance in 2015 and the first half of 2016 (Trang T. T., 2017). In Q4.2016, PNJ recorded a final provision of VND 16.9 bn for this investment, so the results in the second half of 2016 improved significantly. Excluding this provision, PNJ's 2016 profit grew by 41.6% yoy. (Trang T. T., 2017).

4.3.4. CSR disclosure analysis

CSR is integrated in PNJ's core values. These practices are embedded in its operations to ensure that the company's processes are responsible and ethical. (PNJ, 2018).

In 2005, the company founded the PNJ Charity Fund, which has contributed more than 25 billion VND (about US\$1 million) to charity partners to improve the lives of disadvantaged youth and financially indigent patients. In late 2014, the fund launched the "PNJ House" programme to provide housing for low-income families across the country. The first phase of the project involves the construction of 50 houses worth 40 million VND each (about US\$1,800).

In the 2015 JNA Awards, PNJ is an Honoree in three categories namely Retailer of the Year (450 outlets and below); Outstanding Enterprise of the Year – ASEAN Countries; and Employer of the Year. The jewelry manufacturer and retailer says it is extremely proud to be the first company in Vietnam to be named an Honoree not just in one but three categories in the prestigious JNA Awards. These accolades have boosted the company's confidence in its

vision and mission to “become the leading jewelry manufacturer and retailer in Asia,” while continuing to maintain its top position in Vietnam’s middle- to high-end.

From 2015 to 2017, PNJ was always in top 10 of sustainable development enterprises.

PNJ prepares sustainability report in order to aggregate and evaluate the company’s activities to follow the sustainable development orientations, being categorized into three dimensions i.e. Economic - Environmental - Social.

Report’s information: Sustainable Development Report is prepared annually. PNJ commits to present information in the most accurate and reliable possible way to the Shareholders, Customers, Partners and other Stakeholders.

Sustainable Development Report 2015 is PNJ’s first Sustainable Development Report and is prepared separately from the Annual Report.

Benchmarking standards: PNJ’s Sustainable Development Report is prepared based on: Circular No.155/2015/TT-BTC of the Ministry of Finance issued on 06/10/2015 on “Guidance on information disclosure on the securities market” and Sustainable Report development guidance of the Global Reporting Initiative (GRI - G4)

CSR disclosure analysis

Number of reports to be analyze: 3 reports of the year 2015, 2016, and 2017. The reports are analyzed through a qualitative content analysis (Easterby-Smith et al., 2015) based on GRI topics by a content analysis software named Atlas.ti (version 8.3.1) in order to produce a structured data analysis.

As the same method as VNM, the author reviews the volume of the each report. It could be seen that the number of pages increased during years which means that the company provided more information regarding CSR issues.

With VNM, as mentioned above, 2015 was a tough year that they both faced industry’s crisis and their own company’s crisis. Every year, they added about nearly 30 pages for their report from 124 pages in 2015 to 144 pages in 2016 and 180 pages in 2017.

Table 4.3.4a PNJ’s reports volume

Year	2015	2016	2017
Total volume	124 pages	144 pages	180 pages

Source: (PNJ, PNJ Sustainability Reports, 2015, 2016, 2017)

Again, the second step is the analyzing of the Sustainability Reports using Alas.ti. We consider each sentence as a unit of analysis. Then, we give a score of 1 if it contains CSR info according to GRI that it related to the 5 topics including anti-corruption, effluents and waste,

environmental compliance, human right assessment, customer health and safety. Otherwise, we give a score of 0.

For the tables, graphs or pictures, we apply the same rule that when we manually check it but the unit could be a finished phrase (the way people use to write a sentence inside a table, graph or picture). The aim of the content analysis is to understand if and how CSR disclosure change over time, before, during and after (a) scandal(s).

Anti-corruption: The score increased during years from 0 to 3 to 6 in 2015; 2016; 2017 relatively.

Effluents and Waste: In a jewelry manufacture and retailer, this topic may heavily weight. It scored very high with 0; 32; 32 in the year 2015; 2016; 2017 relatively. The author finds out that there is the same data structure in this topic in the year 2016 and 2017. It is only some minor differences in numbers and paraphrase.

Table 4.3.4b Water discharge by quality and destination - 2016
(Scope includes the Head office and the Jewelry Factory)

Indicator	Unit	2014 - Restated	2015 - Restated	2016
Total amount of waste water in terms of quality and destination	m ³	9,834	11,467	16,689

Source: (PNJ, PNJ Sustainability Report, 2016, p.87)

Table 4.3.4c Water discharge by quality and destination - 2017
(Scope includes the Head office and the Jewelry Factory)

INDICATOR	UNIT	2015	2016	2017
Total amount of waste water in terms of quality and destination	m ³	11,467	16,689	25,526

Source: (PNJ, PNJ Sustainability Report, 2016, p.67)

Another example is illustrated by the following two quotes: “At PNJ, the water is now being reused at Plating Group (PNJ Jewelry Factory). Water is filled in the sink to clean the product. Used water in the following sinks is reused in the prior sinks until it is no longer usable and then being disposed subsequently. The amount of water recycled and reused in 2016 is 4.172 m3, equivalent to 20% of water used, experiencing a downtrend from 2015 and 2014 due to the fact that PNJ continuously applies new technology in production.” (PNJ, PNJ

Sustainability Report, 2016, p.86) and “At PNJ, the water is now being reused at Plating Group (PNJ Jewelry Factory). Water is filled in the sink to clean the product. Used water in the following sinks is reused in the prior sinks until it is no longer usable and then being disposed subsequently. The amount of water recycled and reused in 2016 is 4.172 m3, equivalent to 20% of water used, experiencing a downtrend from 2016 and 2015 due to the fact that PNJ continuously applies new technology in production.” (PNJ, PNJ Sustainability Report, 2017, p.66)

Environmental Compliance: The score changed during years without a rule, its increased and decreased depend on years. However, the author does not concentrate on these two topics in VNM’s reports. It will be deeply analysis in case of PNJ.

Table 4.3.4d Comparison of PNJ’s Sustainability Report

YEAR/ITEM FOLLOWING	GRI CODE	2015	2016	2017
Anti-corruption				
Operations assessed for risks related to corruption and significant risks identified	205-1	0	3	6
Communication and training on anti-corruption policies and procedures	205-2			
Confirmed incidents of corruption and actions taken	205-3			
Effluents and Waste				
Water discharge by quality and destination	306-1	0	32	32
Waste by type and disposal method	306-2			
Significant spills	306-3			
Transport of hazardous waste	306-4			
Water bodies affected by the organization’s discharges and/or runoff	306-5			
Environmental Compliance				
Non-compliance with environmental laws and regulations	307-1	6	7	6
Human Rights Assessment				
Operations that have been subject to human rights reviews or impact assessments	412-1	0	0	0
Employee training on human rights policies or procedures	412-2			
Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	412-3			
Customer Health and Safety				
Assessment of the health and safety impacts of product and service categories	416-1	0	6	4
Incidents of non-compliance concerning the health and safety impacts of products and services	416-2			

Source: Author's elaboration

Human Right Assessment: Similar to the case of VNM, this topic is an important topic in CSR disclosure in developing countries. However, in all three reports, there were no sentences mentioning this issue.

Customer Health and Safety: The score increased from 0 in 2015 to 6 in 2016 and then decreased to 4 in 2017.

In general, it is noticeable changes after the scandal of the company in the year 2015. The 4 topics including anti-corruption, effluents and waste, human right assessment and customer health and safety scored 0, which mean that there is no mention about this topic. However, after the scandal in the year 2015, the score increased and reached to specific considerable numbers.

4.3.5. Analysis of CEO's letters

Year 2015

In the letter, the CEO mentioned that “*businesses in the jewelry industry face enormous challenges due to the instability of gold prices and the lack of transparency of product quality and the financial roles of the free jewelry market*” (PNJ, PNJ Sustainability Report, 2015, p.5). She stated that PNJ spent *tremendous efforts* and then achieved great growth regarding the financial performance and the product distribution system all over the country (PNJ, PNJ Sustainability Report, 2015).

She said that was built from the creativity and effort of all stakeholders including the management team, the board, and all PNJ employees as well as shareholders, customers, and other stakeholders (PNJ, PNJ Sustainability Report, 2015). She also clarified that the harmony and connection between company's benefits and human, society and environment development are crucial (PNJ, PNJ Sustainability Report, 2015). Next, the CEO emphasized company's philosophy that “*to consider the benefits of our customers and the society as our own benefits*”. Lastly, she shared the vision regarding sustainable development of the company.

The year 2015 is **the first year** that PNJ developed a Sustainable Development Report to give the Shareholders, Customers, and other Stakeholders a clear and visible picture of the operations, strategies and future orientations of the company.

Year 2016

At the beginning of the letter, Ms. Dung – PNJ’s CEO shared about the difficulty of the industry in the year 2016 that *“The year 2016 was marked by complicated fluctuations of the world economic and political situation. This significant affected the business activities of the economics sectors, including the enterprises in the jewelry industry due to difficulties in business environment as well as **their own problem**”* (PNJ, PNJ Sustainability Report, 2016, p.7).

Then, she mentioned that PNJ was continued developing. She said *“From an economic point of view, 2016 witnesses a **remarkable return** of PNJ. At the end of the financial year, the company’s profit after tax reached over VND 450 billion, the highest since the establishment”* (PNJ, PNJ Sustainability Report, 2016, p.7).

In the next parts of the letter, she said that PNJ continued to maintain and promote practical and meaningful community activities as well as environmental compliance and protection. Next, the CEO stated PNJ’s two foundation and four key objectives directly related to sustainability development.

In the very last sentences, she **thanked** her stakeholders who supported and accompanied with them during years.

Year 2017

Different from the year 2015 and 2016 reports, instead of sharing about challenges or difficulties, at the beginning of sustainability report of the year 2017, the CEO shared about their successes in many aspects such as revenue, after-taxes profit, retail network, expanding market shares as well as their honors and awards (PNJ, PNJ Sustainability Report, 2017). She stated that *“PNJ’s position has also been recognized at both domestic and international level in various fields”* (PNJ, PNJ Sustainability Report, 2015, p.9).

The next one fourth of the letter was the list of achievements of the company and then she indicated that PNJ stayed focus on human resources, technology and new business lines while pursuing of sustainable development values (PNJ, PNJ Sustainability Report, 2015, p.9).

4.3.6. Interview analysis

First interview

Mr. H.V.T was chosen to be interviewed because he is the one who is in charge of company’s sustainability reports. He is the Director of Communication of PNJ with more than 18+ years of experiences in the industry and 3 years working on sustainability reports. He shared that from the very first time when he entered the company, he already worked with

these activities. He thought all of these activities directly link to company's sustainability development. He understands that sustainability does not only limit in some particular operations but covers all the company's aspects.

Interview recap and analysis

He said that PNJ decided to disclose CSR information because *"sustainability development is a core value of PNJ"*. In 1988, when the company was established, Ms. Ngoc Dung - company chairman already stated company philosophy as *"Customer benefits is our commitment"*. *"This business philosophy is not only a model but also a guideline standard for a sustainable enterprise since a sustainable enterprise is an enterprise which both earns stable economic growth and guarantees the rights of its stakeholders. There is no sustainable company in a not-developing society or a polluted environment. During the previous 30 years as well as different stages, regardless of company's type, the philosophy has always been indicated in all company's documents, programs, short-term or long-term strategy."*

Secondly, as PNJ is a public company, *"PNJ is required to disclose information to different stakeholders. The reports include news about sustainable development, operations results, profits, strategy, changes, environment, social securities, policies, contributions. The notification can be clarified by both company perception and government's request."*. Although PNJ is one of the pioneer companies in Vietnam who is doing sustainability development report. In Vietnam, public companies have to submit annual report to Stock Exchange. However, when the Vietnam Business Council for Sustainable Development (Vbcsd) - Vietnam Chamber of Commerce and Industry (VCCI) - Ministry of Industry and Trade of Vietnam is established, VCCI has motivated sustainability development since 2015. In the same year, United Nation, Rio Commit presented 17 standards in sustainability development and Vietnam was one of the countries signed and engages and PNJ undertook it in the first year.

He stated that *"it is not that simple to confirm who the targets audiences of the reports are"* but the first stakeholders to be mentioned are foreign partners who are large shareholders or investors. Secondly, it is the government. *"Thirdly, consumers, likewise, has been showing their concerns regarding not only after-sale services but also company sustainable activities, especially, CSR activities. Those things are what create customers loyalty when CSR activities could touch customers' hearts"*.

He said that they *"do not organize meetings with stakeholder to public or to talk about the sustainability report. Currently, when we finish the report, we will upload it on the website and send it to related government offices. When we achieve some sustainability*

development awards we will release news on the media internationally and share it with stakeholders in our meetings with them”.

How many of our employees have read the report and how many have provided feedback?

He stated that right now, VCCI and award organizer is the one who give comments or requests about the contents of the report. Since many companies faced many trouble when they did the reports with multiple indicator packages, VCCI guided that firms should apply GRI Standards.

Sharing about the way PNJ has been doing throughout the previous 3 years, he mentioned that every year he need to find a topic, a value to explore the content. *“Some other companies have been applying “green trees” as their symbols but PNJ does a different way, which has been showing our mindset. During the 3 years, we used 3 different covers for our sustainability reports. Our covers could show our “Golden Belief” to explain the proof question “why”. The circle of “why”, “how”, “what” is crucial because customers do not care what you are doing but they care of why you are doing that.”*

Why PNJ succeed? It is because of the keyword “Golden Belief”. Sustainability development of a brand is its contribution for jewelry industry of the Vietnam and then its spread world-wide; it is not a green tree only. My company has a coherent mindset, thought, point of view, report content, report form for sustainability development. We are partly responsible for market development, industry development, consumers’ expansion, society growth, country growth as well as global improvement. There is no sustainable development company in an under-developed society. There is no sustainable development company in an under-standard working environment, low quality enterprise culture or no connection and support among its people.

Since CSR disclosure is a new concept in Vietnam and PNJ is one of the pioneers enterprise are doing it, the company faced several difficulties during the process of making the report such as the pressure of creativeness. He pointed out they need to be creative, selective to do in an innovative approach that push people continue reading. Secondly, *“since PNJ grows rapidly when we doubles our size up to more than 6,000 employees and up to more than 320 stores national-wide, data collection and update becomes more difficult.”* And the last challenge was that asking for the support from functional departments of the company.

Second Interview

Mr. Q. H. N. who is a former Trainer at Human Resources Department of PNJ (he left the company in Dec 2018) was chosen. He had 02 years in the company

He stated that as he works at PNJ's regional office/ branch in the Central of Vietnam, he did not have access to detailed CSR reports of the whole company PNJ. Per her understanding, *"CSR activities are organized by the company's Labor Union. In Central Vietnam, the Human Resources Department often supports the Labor Union to organize CSR activities."*

If you notice that your company is doing something wrong, such as something wrong in human rights, what would you do?

He stressed that PNJ culture emphasizes integrity and honesty. Therefore, in such situation, he would report the issue to his line supervisor. In addition, he stated that there was a family culture in PNJ that the colleagues were very friendly to each other, just like a family. However, *"the relationships across departments or outlets are not that close, and leadership and management teams are distanced from the employees"*. He said he had not seen any human right violations.

There is a former employee of your company who wants to come back to work for you. You have an opening for which the former employee is qualified. Should you post the position? Why or why not?

He confirm that If he could make the decision himself, he would give that former employee *"a chance to come back and work at PNJ assuming that s/he quit previously because of personal reasons, not because of making any mistakes or committing to some unethical activities"*. Furthermore, he shared about a real-life example at PNJ – the case of Mr. Tuan Nguyen that he noticed.

If you knew that your supervisor was doing something unethical, what would you do?

For that question, he said that *"in Vietnam, bribes are everywhere and PNJ is not an exception. To give you an example, in order to have a store at Danang's International Airport, despite the cheap published rental, PNJ needs to pay all much more money to the parties involved in this transaction – from the department store's management team of to the government officers who oversee the airport. This is necessary to get the business done and, in my opinion, it should not be considered "unethical". We all hate bribes but since we cannot change it immediately, we must follow the current norm."*

On the other hand, he said that would choose to resign should those unethical activities affect his job seriously since he believed that he is not suitable for “unethical culture”.

In your opinion, what is the antithesis or opposite of CSR?

In his opinion, opposite of CSR is *“when corporate focuses on growth and disregard all other things. Because of personal and corporate gains, some people throw away their values, integrity and ethics, and destroy the nature. Humans do NOT have the rights to be cruel to any creatures in this world. All lives, including animals and plants, are created equal and humans have no right to think that they are more important than other species.”*

Your company sustainability reports’ targets stakeholders is not employee, what do you think about that?

He thought that *“it was not necessary that all employees must know about these reports but it would be better if the core staff or managers who were responsible for training and inspiring employees could read these reports, summarize them and cascade the information to their subordinates”*. In his case, as trainer, he was in charge of inspiring and helping new hires integrate well to the new working environment but he did not know about the sustainability reports through internal communication. He only knew it via the company website, social media and when he actually participated in those events.

Do you know when will your company public a new report or your company sustainability reports received some awards? How can you know that?

He knew all the awards that PNJ has received, because he worked in the Training Department. He shared that *“the awards are very important; they were the “wow” factors and make the employees feel proud when working for a company with highest values”*

Have you ever given any comment about the contents of the report? Why?

He has not read these CSR reports, so he could not give any comments. Only when the author asked him for an interview, he got to know the existence of these reports.

Finally, he confirmed that his department only supported the actual organization of the CSR activities while the reports are likely handled by the other department that he did not meet any difficulty.

CONCLUSION

Applying multiple case studies approach, this research contributes to the CSR disclosure literature by presenting how Vietnamese companies react in CSR disclosure when they face scandal(s).

As discussed in the chapter one, the concept of CSR disclosure has been established well in the literature with a considerable attention of the western researchers but it only emerged in developing countries. Moreover, there are even fewer studies in Vietnam context. Therefore, this study contributes to theoretical and practical implications: how companies in developing countries react to scandal in CSR disclosure. Determinants of CSR disclosure can be divided into two subsets: external and internal. Among the external determinants, legal, social and environmental dimension are taken into account. While among the internal, companies' original, size, industries and types are considered in this study.

An interesting aspect of this study is that Vietnam context includes many external determinants and that the companies chosen include many internal determinants. In particular, the analysis of previous studies make us suppose that companies in developing countries are generally involved in scandals related to *corruption, effluents and waste, human rights assessment, customer health and safety*. Therefore their CSR disclosure is mainly focused on those topics.

The study applied case studies, analyzed only two companies, three reports, three letters and two interviews of each company. Both companies have *headquarter* in Vietnam, belong to *environmentally sensitive industries*, received many *CSR-reporting-related awards* in Vietnam and Asia recently and they are involved in important industry-level and firm-level *scandals* in recent years

Firstly, as expectation, in developing countries, corruption level is higher than in developed countries. Therefore, *Anti-corruption* is a hot topic that both companies investigated disclosed information about it. From the media, sustainability reports as well as CEO's letters and interview with the one who was in charge of the reports, we did not notice any violations. However, the second interview with Mr. H. from PNJ revealed some "truth" that company still face in the developing countries context that there was still "*bribery*". As for legal system, since CSR disclosure is voluntary in Vietnam, the level of information declared in the reports was not rich.

Secondly, again, as expectation, *Human Right Assessment* topic was not mentioned by both companies in all instruments. This finding is correlation to the analysis of the contextual

factors “*Voice and Accountability*”. In developing countries “Voice and Accountability” level is lower than it in developed countries.

Thirdly, as the topic of *Effluents and Waste*, PNJ disclosed more information than VNM in both quality and quantity since PNJ is a company operating in a more “*sensitive industry*”. Specifically, PNJ score in this topic is 32 in the year 2017 while VNM score is only 3 in the same year. Next, as for the topic of *Environmental Compliance*, both companies shared their concerns by disclosing detail environmental regulations that they complied.

Finally, *Customer Health and Safety*, one more time, it was similar to our expectation that in a dairy company, this topic may heavily weight for its products’ characteristics and nature. Explicitly, highest score of PNJ was only 6 while highest score of VNM was 52. Nearly 9 times differences in numbers could express that *industry* is one of the important factors affecting CSR disclosure.

Regarding CEO’s letters analysis, it was interesting to notice that PNJ CEO’s letters emphasized *economic features* while VNM CEO’s letters mostly mentioned *products quality*. It could be directly relates to their crisis/scandal as PNJ’s scandal only related to *economics factors* and VNM’s crisis relates to product quality. Furthermore, VNM did not mention anything regarding their company’s scandal with H.N.H celebrity image.

Regarding interviews analysis, first difference between two companies is that *the department which takes care of the reports*. For VNM, it is internal control department while for PNJ, it is communication department. This is an important factor to be mentioned. Logically, we could assume that if internal control department is in charge of the report, the board of director could support it but it was not as we expected. Mr.H from VNM stated that the company’s board of director has been willing to support in financial aspect or human resources aspect but the board has not spent their own time to build up a long-term direction for the sustainability development of the company. On the contrary, it is communication department who was in charge of the report in PNJ, the interviewee – Mr.T shared a clear direction about company’s sustainability development. In addition, Ms. C from VNM stated that she knew about the reports while Mr. H from PNJ said that he did not know about it.

Second difference between two companies is that PNJ’s first interviewee put *foreign investors and partners* while VNM’s first interviewee put *consumers* at the first place. However, both companies’ interviewees mentioned *regulations for listed companies on the exchange markets* and *requirements from foreign investors or partners* as their main motivations to disclose the CSR information. Furthermore, both companies’ interviewees shared that they have not had any official or formal event or notification for their stakeholders

about their sustainability report when it is available. They only noticed their stakeholders about the report when the companies received (an) award(s).

When they were asked about the link between CSR disclosure and scandal, all interviewees agreed that there was a link between these factors that CSR disclosure could show company's characteristics or nature, which could help company receive tolerance from their stakeholders.

In general, there was a link between CSR disclosure and scandal. Sustainability report and CEO's letters showed that before the crisis, PNJ did not pay much attention to some specific topics and then spend more efforts for it. On the contrary, the interviews with the people in charge of CSR disclosure in PNJ and VNM stated that they disclose their CSR activities following the encouragement from their stakeholders and regulations.

Those results are similar to the previous studies because we find evidence that companies changed some points in their CSR disclosure practices to repair their legitimacy after the scandal(s). In addition, it appears that in developing countries, there are something different from developed countries that the companies did not disclose much information regarding human rights assessments issue and something similar that the sustainability reports focus more on external stakeholders such as consumers, investors or suppliers and are motivated by laws and regulations.

The study has some limitations on the scope, samples and method chosen. In another word, the scope and samples chosen were not rich enough to provide a full picture of how Vietnamese companies disclose its CSR information when it experienced scandal(s). Secondly, considering the data collecting process from the interviews, there were more related and interesting insight from the interviewees but it were sensitive that after the interviews, some of them suggested the author to delete their stories. Moreover, since the interviews were conducted in Vietnamese and translated into English, there could be errors of the words choosing issue. Lastly, it is time and ability constraints that the author could not conduct more interviews or bring out a better analysis or insight. Therefore, future studies on this topic could take into account these constraints to develop a better study.

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APPENDIX 1

Interview Script

Interviewee: Mr. N. T. H

Position: Internal Control Director of Vinamilk

Experiences: 10+ years in the industry, 6 years working on sustainability reports.

Could you please share some about your background for taking this role?

About 4 to 5 years ago, State Securities Commission (SSC) of Vietnam, together with some organizations and some international associations organized some training courses to provide information about sustainability reports and how to disclose it. At that time, I was the one who was in charge of our organization internal control and I was the representative of VNM to approach news contents, new requirements. Then, I was assigned to be the one who prepares this report.

1. Why did the VNM decide to disclose CSR information? Could you arrange the reasons in order of priority?

First, at that time, consumers in specifically or stakeholders in general as well as media paid attention to issues related to environments, transparency, products and regional or local development. At that time, the evaluation about a company was not only about its revenue, financial status but also its image. Specifically, how the company works, how it contributes to society in general. VNM already did those things but the company had never reported it professionally. Fortunately, SSC of Vietnam created a training course to provide needed knowledge for the firms. Therefore, VNM explored, approached, and built the system methodical.

Could you please explain “regional/local development” in your meaning?

Regional/local development means that when your company is set up in a region, your company, together, develops with that local community. It is not appreciated that your company comes there, takes their advantages and then leaves the harmful effects for the environment or that community. Your company could create job opportunities for local people, support local community, develop their technical skills or contribute to their local budget.

Why do you put “consumers’ requirement” at the first position?

Initially, it was the encouragement of SCC of Vietnam but when VNM prepared to enter global market, VNM realized that consumers cared of the company sustainability status. They wanted to know whether the company satisfied all the government regulations/laws,

environment protection, labor policy, human rights protection. Thus, this reason became the core motivations for the company to begin to work on the sustainability reports until now.

2. *Who are the targets audiences/stakeholders that your company expected to reach? Do you concern on providing the reports for stakeholders?*

It would be consumers, investors, shareholders, partners and other organizations in company supply chain, relatively.

Currently, in Vietnam, sustainability reports or CSR reports are voluntary for listed companies. There is a road path of 5 to 7 years to make it become compulsory.

There is “Circular 155” - 155/2015/TT-BTC regarding information disclosure on securities markets of Vietnam government but Circular 155 only asked some contents which can be integrated into annual report.

3. *How did your company announce the Sustainability Report to your stakeholders?*

First, this report is published every in the General meeting of shareholders

Second, there is a particular section on company website dedicated for sustainability activities and reports that people can have a look and download as their wishes.

Lastly, organizing particular/specific events for stakeholders to share, to evaluate or to request more information for the reports has not set up yet but there are emails, contacts for stakeholders to approach.

4. *Were there any comments or requests from audiences/stakeholders about the contents of the report? Why?*

This sustainability report is quite new in Vietnam, all the knowledge is at the basic level. Therefore, there are only a few response and feedbacks from stakeholders. Most of them are from foreign partners. They do not only care of VNM on his own but also pay attention on our company partners in our supply chain; they ask whether our partners can do as VNM does because for them, only VNM does a good job is not enough. They point out that all partners; sellers of VNM have to show their respects to those things. This is the main points that our foreign partners usually mention.

Since VNM is a dairy company providing milk-related-products, do your stakeholders pay more attention on a particular area such as products or environment or society? If yes, what are the areas in GRI standards that your stakeholders concern more?

Actually, GRI is the global standard, it does not customize for any specific area. However, I see that our stakeholders highly regard issues related to environment (does the company protect or destroy the environment), human right policy and labor policy

5. Do you have any plans to change some parts of content in the report in the future? Why? How?

Our reports are well-done report if we compare it with other Vietnamese company's. If we apply international measure, our report is in learning stage. In the year 2019, VNM has a project with Pwc to review our standards with international standards to figure out which areas VNM already fulfilled and which areas VNM need to improve. In the next year report, I will consider the aspects that I can correct it immediately to build a more long-term plan.

6. Since CSR disclosure is a new concept in Vietnam and VNM is one of the pioneers enterprise are doing it, have you face any difficulty during the process of making the report?

First, in the initial years, we do not know the method. We do not know what should be included in the report, what contents that people concern or what standards that we should apply. In general, it is about methodology.

Secondly, it is another difficulty for Vietnamese enterprises that because it is new, thus, we do not know to whom this task belongs to, which department will execute the task. When we report the sustainability activities, we have to collect the information from all departments, which creates huge amount of work.

I could recognize that the report benefits our company but maybe other departments could not understand it. Therefore, we had to do the internal communication to help all employees understand why we do the report to receive their supports. Initially, this step was tiring and asked for long-term investments. Until now, I am still spreading the cognition to all other company's employees. The awards also help me do it since the employees could somehow realize what they have been contributing for the company.

If you investigate some foreign company's structure, you can notice that they have a specific function to take care the tasks related to sustainability.

In short, reporting sustainability activities as well as directions to meet global standard is a hard work for Vietnamese companies. Although VNM is a large company in Vietnam, it has been experiencing many difficulties. Therefore, it could be understandable that small-and-medium-size firms would face much more challenges.

You can refer Samsung company structure that they have their vice president as the one who is responsible for sustainability reports in order to see the differences.

Board of director's support: Detail information deleted as request.

7. There are some companies, when they face an issue or scandal such as product quality or labor-related trouble, they could persuade their stakeholders they always

behave properly, follow rule and it is demonstrated by their sustainability reports which are audited by Big4, etc... Hence, the issue is not their nature, it just happens by accident. Have you ever thought that there is a link between scandal/crisis resolving and sustainability report? If yes, has VNM ever used the reports to prove stakeholders how good company is doing?

I think the reports could provide an overview and general understanding about a company including how that company is, how about its nature for stakeholders.

Specifically, about the environment, during operation, there are some problems or something wrong happen. At that moment, although there could be same symptoms but there could be particular natures. For instance, about waste treatment, for this company, it could be how that company operates but for another company, it could be a mistake or an accident. If there are several cases related to a company in different time and location, I think that is how that company runs its business.

8. *During the time you do the report, apart from the consultancy of Big4, is there any assistance?*

I need the support from marketing and communication teams because they will release and public the reports through website, social media, newspapers. I think communication team is more important than the marketing team based on VNM's framework.

9. *What were the efforts that your company made to win the second prize of the Sustainability Reporting Awards organized jointly by the HCM City Stock Exchange (HOSE), the Hà Nội Stock Exchange (HNX) and Việt Nam Investment Review (VIR) magazine in April, 2018?*

I have to make more effort to provide more information to stakeholders and present them a more detail and deeper analysis which means that it should not be only numbers but also future tendency.

Secondly, since this report is audited by the third party, it is more reliable. I think it was a factor which made our report becomes more trustful. As I know, in Vietnam, there are not many firms' sustainability report are audited by the third party.

Did the awards benefit VNM?

First, it is a signal to prove what VNM has been doing are right, that VNM is going on the correct direction

Secondly, via the sustainability report, all departments had to report, statistic, double-check their data to see whether their data was proper. Before we did this report, all the

departments do not pay high attention to these numbers, thus, problems could not be revealed. When we did the reports, we noticed and adjusted it

Lastly, the awards, honors, records bring the proudness to employees. Employees would notice that their contributions were recorded.

How many of our employees have read the report and how many have provided feedback?

To be honest, I did not measure this factor.

APPENDIX 2

Interview Script

Interviewee: Ms. T

Position: Finance Manager - Finance Department of Vinamilk

Experiences: 4.5 years in the company, 2 years with some sustainable projects.

1. *Could you please share an overview about what you understood about CSR activities in your company and about your company CSR reports?*

I think CSR activities in my company have been done very well since the activities have been well-organized that encourage the participation of many employees. As for understanding about CSR reports, it's pretty new for us. Sincerely, I knew about this reports but I did not read all information or the whole report. Only when The Hoang asked me for an interview, I spent some more time on it. However, as a finance manager, I think I knew about it more than some other employees.

2. *Your company sustainability reports' targets stakeholders are not employees, what do you think about that? Do you know when will your company public a new report or your company sustainability reports received some awards? How can you know that?*

As I understood, the main focus stakeholders of my company's report are our partners or investors, thus, I do not think it is a problem. I know when my company publishes a new report from the internal communication system. Especially, the news is spread out when we received some/an award(s).

3. *Have you ever given any comment about the contents of the report? Why?*

Not yet because I did not read the whole report and I do not have any concerns related to the parts I read.

4. *Since CSR disclosure is a new concept in Vietnam and VNM is one of the pioneers enterprise are doing it, the manager who is in charge of sustainability report in VNM stated that he face some difficulties when do it. Have you face any difficulty when you are asked to submit some data related to the report?*

Not really. Although the data required are huge but in finance department, it is clearer than other departments, I think

5. *There are some companies, when they face an issue or scandal such as product quality or labor-related trouble, they could persuade their stakeholders they always behave properly, follow rule and it is demonstrated by their sustainability reports which are audited by Big4, etc... Hence, the issue is not their nature, it just happens by accident. Have*

you ever thought that there is a link between scandal/crisis resolving and sustainability report? There was a crisis in dairy industry by the year 2015 If yes, has VNM ever used the reports to prove stakeholders how good company is doing?

I think the report could be used for that purpose. I do not know how it directly links to each other but I think we show our characteristics in the report which could help stakeholders have a better overview about us and they could sympathize for us.

For the second phrase, I do not know this because I do not talk to our investors or consumers.

6. *In your opinion, what is the antithesis or opposite of CSR?*

In my opinion, it profit-only-oriented operates which means that firms just only pay attention on earning profit without concerning about other factors including society or environment. If firms start and continue doing that way, it cannot reach a sustainable development in order to stable develop or integrate to the global market.

APPENDIX 3

Interview Script

Interviewee: Mr. H. V. T

Position: Director of Communication of PNJ

Experiences: 19+ years in PNJ, 3 years working on sustainability reports.

Taken roles: Youth Activities, Human Resource, Marketing, Communications Departments

Could you please share about your background and your company CSR disclosure?

It is not only when I start working in the communication team, I pay my attention to CSR or sustainability development activities, but from the very first time when I entered the company, I already worked with these activities. I think all of these activities directly link to company's sustainability development. I understand that sustainability does not only limit in some particular operations but covers all the company's aspects.

1. Why did the PNJ SJC decide to disclose CSR information? Could you arrange the reasons in order of priority? Why do you put it in the first position?

My company has been a public company for ten years from 2009. Before that, my company is a government-owned company. In 1988, when the company was established, Ms. Ngoc Dung - company chairman already stated company philosophy as "Customer benefits is our commitment." We always considered it as our beacon. We put customer and society benefits into our company benefits. This business philosophy is not only a model but also a guideline standard for a sustainable enterprise since a sustainable enterprise is an enterprise which both earns stable economic growth and guarantees the rights of its stakeholders. There is no sustainable company in a not-developing society or a polluted environment. During the previous 30 years as well as different stages, regardless of company's type, the philosophy has always been indicated in all company's documents, programs, short-term or long-term strategy.

As PNJ is a public company, PNJ is required to disclose information to different stakeholders. The reports include news about sustainable development, operations results, profits, strategy, changes, environment, social securities, policies, contributions. The notification can be clarified by both company perception and government's request.

PNJ is one of the pioneer companies in Vietnam who is doing sustainability development report. In Vietnam, public companies have to submit annual report to Stock Exchange. However, when the Vietnam Business Council for Sustainable Development (VbcSD) - Vietnam Chamber of Commerce and Industry (VCCI) - Ministry of Industry and

Trade of Vietnam is established, VCCI has motivated sustainability development since 2015. In the same year, United Nation, Rio Commit presented 17 standards in sustainability development and Vietnam was one of the countries signed and engage and PNJ undertook it in the first year.

In the first year, there were not many firms evaluated and ranked in high position but PNJ was in the top 10 of the best reports. In the second year, 2016, PNJ was, again, in top 10 and also was chosen to be as the sustainable development enterprises. Last November, 2018, VCCI organized and published top 100 best sustainability reports and PNJ also was in top 10.

It is not until now when stakeholders ask for transparency in information published or when Vietnam has some program related to sustainability development, PNJ undertakes these activities and report but it is our business philosophy from our establishment. Hence, it was not too difficult to do the report. I could say that PNJ already go further and forehand because when we compared our standard with GRI standard, we noticed that we share similar standard and we present most of it. Although there is not a clear system to gather, collect, compare or report before we did the report but we did not face too-hard situation in the first year since we just needed to systemize the available database

I think that the sustainability report has not showed all what we already did and there are some limitations of human source for the reports. We do not have a functional department for this task that we need to integrate it into my department – communication department. The whole company executes and follows sustainability development direction but my department generates records, evaluates, and submits the report. All sustainable activities have been put into Action Plan or Resolution Plan off all functional departments but communication department is the one which is in charge of reporting. All sustainable activities required by jewelry association such as working safety, environment, and waste treatment are applied into all functions but we still have not build a particular department for it.

I would like to reconfirm that from PNJ understanding, sustainability development is not only CSR but also all daily activities of a company. Some people still think that CSR is charity, relief but we do not agree that. From PNJ point of view, a company which does not evade tax, take care of their employees' life, offer developing opportunities to their human, has no salary debt, good policy for laborer is a sustainability development enterprise.

2. *Who are the targets audiences/stakeholders that your company expected to reach? Could you please give some example of the contents for a specific stakeholder?*

It is not that simple to confirm who the targets audiences of the reports are. For example, about our partners, specifically, foreign partners who are large shareholders or

investors. They are literally interested in sustainable activities and sustainability report has become their main document to investigate our company. As an illustration, PNJ was honored in top 3 jewelry retailer, outstanding enterprise and Asia countries employer of the year by JNA. (Organized by UBM Asia, the JNA Awards champions best business practices in the jewelry and gemstone community by recognizing and promoting companies and individuals that demonstrate outstanding leadership, innovative thinking, and sustainable and socially responsible strategies, with a focus on their contribution in Asia, and whose ideas and actions have made positive impact in the trade and communities.) Another important partner is Swarovski. We have signed the strategy cooperation contract and they shared about their sustainable activities in Austria and stated that they are keen on our sustainable activities.

Secondly, it is the government. It is necessary for them to judge our company. For instance, Natural Resources and Environment department or Administration Office or other organizations will criticize PNJ based on our sustainable activities to reward us some prizes.

Thirdly, consumers, likewise, has been showing their concerns regarding not only after-sale services but also company sustainable activities, especially, CSR activities. Those things are what create customers loyalty when CSR activities could touch customers' hearts.

3. *Have you ever executed a survey to evaluate stakeholders' concerning level?*

To be honest, sustainability report help our company realizes these things. In the standard package, it clearly shows that is essential for various stakeholders.

VCCI has 2-3 workshops annually in order to share, consult, support firms to execute sustainability report and when firms approach this report, they realize how important it is. Reporting sustainability activities help me become aware of many issues, systemize them and show me what are the most important subjects to maintain and improve. For example, within company internal activities, company culture is a vital component and it is included in the index. PNJ culture is strong and we need to empower it more and more. After 3 times doing this report, we have experiences. It was tiring in the first time, easier in the second time and now on since we already storage the data, systemize numbers, photos. I am the first one approaching and exploring the sustainability report for my company.

4. *How did your company announce the Sustainability Report to your stakeholders?*

We do not organize meetings with stakeholder to public or to talk about the sustainability report. Currently, when we finish the report, we will upload it on the website and send it to related government offices. When we achieve some sustainability development

awards we will release news on the media internationally and share it with stakeholders in our meetings with them.

5. *Are there any comments or requests from audiences/stakeholders about the contents of the report? Why? (Are there something they want your company to disclose more?)*

At present, on one hand organizer is the one who notice us. For example, when VCCI published the awards, they would notify us, evaluate us and give us advice to improve the sustainability report. Last JNA Award was the same, they asked us to supplement some data to clarify some points in the report. During years, they send newsletters, experience sharing about sustainability development for us to have more knowledge in the field.

On another hand, suppliers or investors usually talk directly to other departments. Although my team still has not had many opportunities to listen to them, we could still explain what they ask during the meetings with them.

6. *In 2 reports of 2015 and 2016, you changed the structures of the first parts related to company's overview and the compliance with standards (your company deleted the part related to 155/2015/TT-BTC "Circular 155" regarding information disclosure on securities markets of Vietnam government), what were the motivations of these changes? Whether it is to meet the GRI standards or other motivations?*

Since many companies faced many trouble when they did the reports with multiple indicator packages, VCCI guided.

For the reason that the report was presented to international stakeholders and submitted for the Asian scale contests, Circular 155 became unsuitable. After a several workshops, we cooperative agreed to apply GRI Standards.

7. *Do you have any plans to change some parts of content in the report? If yes, could you please explain why and how do you do that?*

PNJ is doing like that throughout the previous 3 years. Every year, we find a topic, a value to explore the content. Some other companies have been applying "green trees" as their symbols but PNJ does a different way, which has been showing our mindset. During the 3 years, we used 3 different covers for our sustainability reports. Our covers could show our "Golden Belief" to explain the proof question "why". The circle of "why", "how", "what" is crucial because customers do not care what you are doing but they care of why you are doing that.

Why PNJ succeed? It is because of the keyword "Golden Belief". Sustainability development of a brand is its contribution for jewelry industry of the Vietnam and then its

spread world-wide; it is not a green tree only. My company has a coherent mindset, thought, point of view, report content, report form for sustainability development. We are partly responsible for market development, industry development, consumers' expansion, society growth, country growth as well as global improvement. There is no sustainable development company in an under-developed society. There is no sustainable development company in an under-standard working environment, low quality enterprise culture or no connection and support among its people.

8. Since CSR disclosure is a new concept in Vietnam and PNJ is one of the pioneers enterprise are doing it, have you face any difficulty during the process of making the report? What were the efforts that your company makes to win the award of Asia's best report on SDGs?

Yes but we also have our own evaluation because not all of awards are valuable. If they ask us to pay some money to get the award, we will say no to it. If the awards could benefit the company or properly reflect the status of sustainability development in our company, we will spend time and human force for it. If it could encourage company's position, motivate and honor our stakeholders, we will pay attention to it

Our pressure is that what we should do next year? What the contents, the key topics should be included because we cannot describe everything. We have to think of how to describe it in both content and format. We need to be creative, selective. About creativeness, we need to do in an innovative approach that push people continue reading.

Moreover, since PNJ grows rapidly when we doubles our size up to more than 6,000 employees and up to more than 320 stores national-wide, data collection and update becomes more difficult. However, as long as we have 3 years of experiences, we can deal with it.

Last challenge was that asking for the support from functional departments of the company. They were willing to help but finding and arranging things were time-consuming. Notwithstanding, all company departments understood the value of the report for long-term development, they tolerated and helped.

For the first year, in spite of the fact that we asked for advice from consultancy because we had not gotten a systemized database, we did the concept, wrote, and arranged contents and messages. And in the years after, we did it on our own.

How many of our employees have read the report and how many have provided feedback?

Company shared the information about the reports and awards but I did not know the exact number about how many employees read it.

9. Other sharing

For myself, I have been working in PNJ for 18 years; I think it could be considered as sustainable development.

Some insight of some other companies' CSR disclosure: Detail information deleted as request.

APPENDIX 4

Interview Script

Interviewee: Mr H.

Position: Former Trainer - Human Resources Department of PNJ

Experiences: 02 years in the company

1. Could you please share an overview about what you understood about CSR activities in your company and about your company CSR reports?

As I work at PNJ's regional office/ branch in the Central of Vietnam, I do not have access to detailed CSR reports of the whole company PNJ. Per my understanding, CSR activities are organized by the company's Labor Union. In Central Vietnam, the Human Resources Department often supports the Labor Union to organize CSR activities.

2. If you notice that your company is doing something wrong, such as something wrong in human rights, what would you do?

PNJ culture emphasizes integrity and honesty. If I notice any misbehavior, I will report the issue to my line supervisor. If that problem cannot be solved, I know that I am just a puppet in the game and one day, the same thing might happen to me. With my personality, I will quit my job. At PNJ, there is a family culture. However, in my opinion, this culture only applies well in a small scale and does not work to a larger extend. For example, within a department, my colleagues are very friendly to each other, just like a family. On the other hand, the relationships across departments or outlets are not that close, and leadership and management teams are distanced from the employees. Besides this weakness, I have not seen any human right violations.

3. There is a former employee of your company who wants to come back to work for you. You have an opening for which the former employee is qualified. Should you post the position? Why or why not?

At PNJ, I am responsible for recruiting and training employees, so this question is very relevant to me. If I can make the decision myself, I will give that former employee a chance to come back and work at PNJ assuming that s/he quit previously because of personal reasons, not because of making any mistakes or committing to some unethical activities. The reason is because as a former employee, s/he will understand the company's culture and the role better, even if the new role has higher seniority than that in the past. Thus, why don't we give her/him another chance, which also means another chance for PNJ? Most people want to grow and develop further; they become a little bit better of themselves every day. From the last time they quit PNJ until the time they want to return, they must have learned a lot of new

things. There is no reason for me, as the human resource officer, to keep the old thinking that they used to be substandard and apply prejudice on them.

Indeed, there was a real-life example at PNJ – the case of Mr. Tuan Nguyen. Before the company’s restructure in 2016, he was the Deputy Head of Human Resources Department but he quit his job to pursue further studies, came back after two years, and applied for a higher position at PNJ. With better qualification and new experience from the Master degree, Tuan eventually got the offer to be the Head of Training Department and has since accomplished his job very well. The Human Resources Department at PNJ is like a big family to all employees.

4. If you knew that your supervisor was doing something unethical, what would you do?

Personally, I think it is a bit serious to use the word “unethical”. We need to understand the end purpose of such activities. In Vietnam, bribes are everywhere and PNJ is not an exception.

Example: Detail information deleted as request.

This is necessary to get the business done and, in my opinion, it should not be considered “unethical”. We all hate bribes but since we cannot change it immediately, we must follow the current norm.

On the other hand, if my supervisor commits some behaviors related to integrity and personality, I will no longer trust her/ him and will be more cautious to make sure my work is not part of her/ his wrongdoings. At my past position at PNJ, I did not have the power to resolve those misbehaviors and I could only report to my direct supervisor. In any case, I would choose to resign should those unethical activities affect my job seriously. I know I am not suitable for those “culture”.

5. Tell me about a time that you have experienced a loss for doing what is right?

To be honest, I do not have many things to share about this question. Probably, there is only a few times when I argued with my boss because I did not want to go drinking after work. I always “defeated” him with logical reasons. Later on, I successfully recruited a younger staff who could drink a lot and liked to drink, so my boss always brought him to meet with clients. However, my boss only “hated” me for a short while and he still treated me fairly after all. (Sometimes I still needed to drink with him and clients).

6. In your opinion, what is the antithesis or opposite of CSR?

In my opinion, opposite of CSR is when corporate focuses on growth and disregard all other things. Because of personal and corporate gains, some people throw away their values, integrity and ethics, and destroy the nature. Humans do NOT have the rights to be cruel to any creatures in this world. All lives, including animals and plants, are created equal and humans have no right to think that they are more important than other species.

Personally, I think I am still a coward. When knowing about the case of Formosa Steel Plant which discharged toxic waste water to the ocean in the Central of Vietnam, I kept silence. When reading on newspaper that government officers corrupted VND 3,500 billion (over EUR 130 billion), I didn't fight for justice. Recently, it was very lucky that the plan to build a new steel factory in Ninh Thuan Province was disapproved. I used to admire the head of this project, a well-known advocate of the vegetarian trend who invited Nick Vujicic – the famous Australian motivational speaker – to give talks in Vietnam. However, after hearing him saying “only stupid people would stay away from producing steels), all my good impression about him collapsed immediately.

7. Your company sustainability reports' targets stakeholders is not employee, what do you think about that? Do you know when will your company public a new report or your company sustainability reports received some awards? How can you know that?

As an employee who was in charge of inspiring and helping new hires integrate well to the new working environment, I did not know about the sustainability reports. I only knew the CSR activities via the company website, social media and when I actually participated in those events. In my opinion, it was not necessary that all employees must know about these reports; but it would be better if the core staff or managers who were responsible for training and inspiring employees could read these reports, summarize them and cascade the information to their subordinates.

I knew all the awards that PNJ has received, because I worked in the Training Department. The awards are very important; they were the “wow” factors and make the employees feel proud when working for a company with highest values. When I just started working for PNJ's Training Department, what kept me moving forward was this pride feeling. I still remember the time I came from for the New Year holidays, my father asked me: “Where do you work now?” When I answered him “PNJ”, he complained “Why you kept changing jobs?” I then explained to him that I was very proud of PNJ, that the company did many things for the community and won countless CSR awards, and that no other company

could compare to PNJ in this area. That was an “Oh” moment for him, and he told me to keep trying to work and devote to PNJ.

8. Have you ever given any comment about the contents of the report? Why?

I have not fully read these CSR reports, so I could not give any comments. Only when you told me, I got to know the existence of these reports.

9. Since CSR disclosure is a new concept in Vietnam and PNJ is one of the pioneers enterprise are doing it, have you face any difficulty when you are asked to submit some data related to the report?

As I shared with you previously, my department only supported the actually organization of the CSR activities. The reports are likely handled by another department.