

GLOBAL COMPACT  
NETWORK VIETNAM

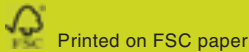
The GCNV, launched in 2007, is a cutting edge initiative developed in partnership between the Vietnam Chamber of Commerce and Industry (VCCI) and the United Nations in Vietnam (UN).

The GCNV aims to support its members implement effective corporate social responsibility initiative in Vietnam.

The goal of the GCNV is to be the national corporate social responsibility centre of excellence. Our job is to identify, anticipate and diffuse the tensions between business and communities, business and the environment, business and the government, business and the consumer, leading to sustainable businesses in a prosperous society.

GLOBAL COMPACT NETWORK VIETNAM

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Global Compact Network  
Vietnam



BRIEFING FOR BUSINESS

A guide to the Global Compact Principles  
in Vietnam with sector supplements from the Extractive,  
Food Processing and Construction Industries



Global Compact Network  
Vietnam

THE TEN PRINCIPLES

HUMAN RIGHTS

- 1 Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 Principle 2: make sure that they are not complicit in human rights abuses.

LABOUR STANDARDS

- 3 Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 Principle 4: the elimination of all forms of forced and compulsory labour;
- 5 Principle 5: the effective abolition of child labour; and
- 6 Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7 Principle 7: Businesses should support a precautionary approach to environmental challenges;
- 8 Principle 8: undertake initiatives to promote greater environmental responsibility; and
- 9 Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- 10 Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

# BRIEFING FOR BUSINESS

**A guide to the Global Compact Principles in Vietnam  
with sector supplements from the Extractive, Food Processing  
and Construction Industries**



Global Compact Network  
Vietnam



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# Foreword

The Global Compact Network Vietnam (GCNV) was launched in 2007 to support the Government of Vietnam in the implementation of its Sustainable Development Strategy (Agenda 21) and the development of responsible business practices. The GCNV is implemented through the Vietnam Chamber of Commerce and Industry (VCCI), Office for Business Sustainable Development (SD4B) with funding from the United Nations Development Programme (UNDP) as part of the “Catalysing Business Community’s role towards Greater Corporate Social Responsibility through Global Compact Principles in Vietnam” (CBC-CSR project).

The GCNV aims to promote responsible business practices in Vietnam through providing practical support to companies and other organisations in the principles of the United Nations Global Compact i.e. Human Rights, Labour, Environment and Anti-corruption.

“A guide to the Global Compact Principles in Vietnam with sector supplements from the Extractive, Food Processing and Construction Industries” outlines the relevant laws in Vietnam regarding every aspect of the Global Compact Principles, it provides case-studies on how companies in Vietnam have implemented different Human Rights, Labour, Environment and Anti-corruption programmes. Practical advice is also given on how to implement all of the ten principles of the United Global Nations Compact Principles.

We have designed this document to be as practical as possible for managers who are tasked to design and implement Corporate Social Responsibility (CSR) programmes in companies and to provide further information on CSR for other interested parties. This guide was developed in partnership with a range of our internal and external stakeholders.

“A guide to the Global Compact Principles in Vietnam with sector supplements from the Extractive, Food Processing and Construction Industries” is a sequel to GCNV’s earlier publication, “A review of the social and environmental conditions of industries in Vietnam against the Global Compact Principles”.

While the views expressed in the paper do not necessarily reflect the official view of the GCNV, this paper forms part of our objective of stimulating discussion in Vietnam on Corporate Social Responsibility and sustainable business practices.

**Dr. Doan Duy Khuong,**  
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National Project Director of the CBC-CSR Project

# Acknowledgements

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Special thanks are due to all the companies and non-government organisations that participated in interviews in preparation of this report along with the government representatives that gave the researchers their time and shared their perspectives on CSR and sustainable business practices as well. We very much appreciate the support provided by representatives in Vietnam from Talisman - Energy, Holcim and Duc Viet.

The authors are solely responsible for remaining errors of fact or omission. While this is a GCNV paper, the views expressed here are the authors alone and do not necessarily reflect the views of the GCNV or its members.





# Introduction

We all know that well run businesses are out to make profits but in today's world that's not the whole story. Increasing numbers of companies are becoming more and more aware of the links between social and environmental performance and profit. As global companies increasingly invest in Vietnam and as Vietnamese companies continue to grow, there is an opportunity to further promote, develop and support business practices that can contribute to sustainable development and national and international development goals (the Millennium Development Goals MDGs). Simply put, sustainable business is about balancing profits, people and the planet.

Companies in Vietnam compete on price with a relatively short-term orientation. Some view sustainable business practices as an expense and not an investment in the long-term but there is plenty of evidence to show that getting the right balance between social, environmental and financial returns can greatly enhance business performance in areas such as:

- Reputation
- Employee recruitment and retention
- Employee morale and motivation
- Client and customer relationships
- Relationships with investors and the financial community
- Relationships with government and the local community

The UN Global Compact provides a framework for companies to build more sustainable businesses for the long-term, outlining principles in relation to human rights, labour, the environment and anti-corruption. How this happens in reality will differ depending on respective countries and industry sectors. Therefore, the Global Compact Network Vietnam (GCNV) has been working to better understand industry specific issues and to develop tools and best practices focussed on prioritised industries.

This guide has been prepared to support companies operating in Vietnam. In late 2009 we mapped out the key CSR issues by different industry sectors in Vietnam and prioritised three industry sectors for follow up based on analysis and stakeholder engagement,. These were:

- The Extractive Industry
- Construction
- Food Processing

These sectors were among those that had severe social and environmental impacts to manage. They were also those which were felt to have fewer available tools and support mechanisms in place to help companies. This guide has been based on our detailed learning in these three sectors and from other members and concerned stakeholders. The stories and case studies will outline examples in these industries and the sector supplements at the end provide more details into the factors affecting sustainable business specific to the industries. We prepared this guide for companies operating in Vietnam. It will be more relevant for large local or regional companies. While larger multinationals will have their own tools and best practices, we also hope the guide will provide content with specific relevance to Vietnam.

We wish to express our thanks to all those people who contributed their time and shared their knowledge and experiences in regard to sustainable business in Vietnam. Any errors are the authors alone and are not the responsibility of those organisations that we work for. The situation is changing fast in Vietnam and it might be that by the time you have read this certain details will have already changed. We hope you will enjoy this guide and welcome your feedback.







# Overview of the GC

## Introduction to the Global Compact

### *What is the Global Compact and why is it relevant to my business?*

The Global Compact is an initiative of the United Nations for businesses to commit to ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

The framework of the Global Compact can help your company navigate difficult social and environmental issues and incorporate international best practices. Your company doesn't need to be a member signatory of the Global Compact to benefit from the framework that it sets out. Even for those companies who do sign up to the Global Compact, in the first 5 years they will only need to prioritise two (out of the four) areas. If your company is starting out on building a more sustainable business then the whole framework could appear daunting. We want to encourage you to start with what makes most sense to them and with what is most material for your business.

If your company only wishes to focus on one area, that is an acceptable starting point as well. The Compact itself is based on continuous improvement – recognising where you are and taking steps to improve performance in a way that will bring value for your business and value for society.

### *Who does the Global Compact Consists of?*

The Global Compact has over 7700 corporate participants and stakeholders from over 130 countries.

The GCNV has been working to promote the GC as a tool to bring about more sustainable business practices. In June 2010, the Global Compact Network Vietnam had a total of more than 75 members, 55% of which were companies, 35% Non Governmental Organisations (NGO's), 10% business associations and academic institutions.



### *What are the principles of the Global Compact*

The UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption are derived from commitments that the international community has agreed to such as:

- The Universal Declaration of Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The Rio Declaration on Environment and Development
- The United Nations Convention Against Corruption

Essentially, the Global Compact in Vietnam asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption.

### Human Rights

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

### Labour Standards

- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

## Environment

- Principle 7: Businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

## Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

### *Why would my company join the Global Compact?*

The Global Compact provides a platform for companies to advance their commitments to the communities they are a part of. It offers a framework for the development, implementation, and disclosure of principles and practices related to its four core areas: human rights, labour, the environment, and anti-corruption. All of these areas contribute towards the overall success and long term value of a business<sup>1</sup>.

On an international level, the Global Compact offers participants a wide spectrum of specialized work streams, management tools and resources, and topical programs and projects to help advance CSR<sup>2</sup>. The Global Compact Network Vietnam is in its early stages but participation can help ensure that your business has access to the tools and resources to help you achieve your goals.

<sup>1</sup> Adapted from Global Compact website

<sup>2</sup> ibid



## GC principles and Vietnam

We all know that following the law is a mandatory part of your company's responsibility. Many companies operating in Vietnam feel there are lots of 'grey' areas and compliance in itself is not always straightforward<sup>3</sup>. Government agencies who need to oversee the law enforcement often have limited capacity to enforce the law. Very low fines can mean that some companies would prefer to ignore the law and pay the fine in order to make money.

Although Vietnam has comprehensive laws, applying and implementing laws is not always simple. In Vietnam's Socio-Economic Development Plans (SEDPs) there is recognition of the need to balance economic growth with environmental protection and poverty alleviation. The next section looks at the core areas of the Global Compact in relation to the Vietnamese regulatory framework for business.

<sup>3</sup> Notes from interviews





# Human Rights

**Principle 1** Businesses should support and respect the protection of internationally proclaimed human rights

**Principle 2** make sure that they are not complicit in human rights abuses.

The first two principles of the Global Compact relate to Human Rights. Principles 1 and 2 point out that businesses should support and respect the protection of internationally proclaimed human rights and; make sure they are not complicit in human rights abuses. These principles are based on the Universal Declaration of Human Rights (UHDR) that was adopted by the member states of the United

Nations in 1948. The Declaration is not legally binding but was ratified with 48 votes of acceptance and 8 abstentions.

Human rights are important in Vietnam. Vietnam has signed and ratified the International Covenant on Civil and Political Rights and is party to the International Covenant on Economic, Social and Cultural Rights along with many others as indicated below.

**Table 1: International human rights frameworks ratified by Vietnam<sup>4</sup>**

(Source: <http://treaties.un.org/Pages/Treaties.aspx?id=4&subid=A&lang=en>)

Treaty	Status
International Covenant on Civil and Political Rights	Signed and Ratified (Acceded)
International Covenant on Economic, Social and Cultural Rights	Signed and Ratified (Acceded)
International Convention on the Elimination of all forms of racial discrimination	Signed and Ratified (Acceded)
Convention on the Rights of the Child	Signed and ratified
Convention on the Elimination of all forms of Discrimination Against Women	Signed and ratified
Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment	Not signed
International Covenant on the Protection of all Migrant Workers and the Rights of their Families	Not signed
Convention on the Rights of Persons with Disabilities	Signed

<sup>4</sup> See <http://treaties.un.org/Pages/Treaties.aspx?id=4&subid=A&lang=en>



# Human Rights



The Government's white paper on Human Rights in 2005 noted that among its greatest achievements "in the protection of human rights [has been its] great success in **poverty reduction, human development and life quality improvement**". There is a clear link between human rights and poverty reduction in Vietnam.

We spoke to many different people and organisations for this project and many people believe that human rights were an important issue for various industries in Vietnam. At the same time there is a perception that human rights can often be viewed as an "abstract" and "foreign" term and that many people in Vietnam

refer to specific rights, but not "human rights" in general. Human rights in Vietnam can be analysed based on the national cultural values and history and a conception of imported "human rights" from other countries may not be deemed appropriate.

Any assessment of human rights in Vietnam would depend on the viewpoint of whom you were speaking to. As highlighted in the box above, the Government's white paper on Human Rights in 2005 outlined that **poverty reduction, human development and life quality improvement have been the greatest advances of human rights in Vietnam**. There is a clear link between human rights and poverty reduction in Vietnam. Vietnam's 1992 constitution sets out that "all human rights in the political, civil, economic, cultural and social fields are respected". In the 9th Party Congress of 2001, the Communist Party of Vietnam expressed its first open view on human rights noting that interrelated objectives were to "to take care of the people, to protect rights and legitimate interests of everyone; to respect and implement international treaties on human rights that Vietnam has ratified or acceded to." The 10th Party Congress in 2006 further reaffirmed these objectives and the Central Committee made an official recognition of the states obligation to implement citizen's rights and human rights effectively. Through these

developments it demonstrates that the Party is open to dialogue with other countries and international and regional organisations on the issue of human rights. Considerable effort has been put into a legal framework which guarantees basic rights.

However, concerns over human rights abuses in Vietnam have been raised

While many stakeholders we interviewed made the connection between human rights and labour rights as a priority in Vietnam, it must be remembered that human rights go much beyond labour rights. Key issues for business include:

- Right to life / health/security,
- Prohibition of Torture,
- Security arrangements,
- Freedom of movement (detention),
- Right to privacy,
- Right to exercise religion,
- Minority groups / Indigenous people,
- Right to adequate housing,
- Land ownership / Resettlement ,
- Medical and scientific experimentation,
- Freedom of expression (demonstration)

within various international frameworks. Amnesty International, the US State Department and Human Rights Watch all report violations of civil and political rights in the country. The Danish Institute for Human Rights gives Vietnam a middle ranking in comparison to other countries.

The International Standards Organisation (ISO) is preparing guidelines on social responsibility. The draft ISO 26000 guidelines see human rights as one of the seven core areas of social responsibility and states that "an organisation should respect human rights and recognise both their importance and their universality" and should:

- Respect and foster the rights set out in the International Bill of Human Rights
- Accept that these rights are universal, that is, they are indivisibly applicable in all countries, cultures and situations

Although human rights laws usually relate to relationships between the individual and the state, companies can **affect** human rights and have **an obligation to respect them**. It entails 'doing no harm' to others which means taking positive steps to ensure that this is achieved. When companies are working in situations where human rights may not be protected, they can take steps to ensure that they are protecting human

# Human Rights

rights within their companies and, importantly, avoid taking advantage of business situations where human rights may be suppressed (to a business advantage). Various rights affected by business and which affect business are highlighted in the box to the left. Companies can adhere to principles of respect for international norms of behaviour.

## COMPANIES WHO WOULD LIKE TO BE A LEADER IN THIS AREA SHOULD:

- **Consider carefully how the use of the language** of 'human rights' is interpreted in Vietnam by different stakeholders and consider using other language to reflect the company's their commitment to mankind and to sustainable development. A vocal and headstrong approach may not be the best approach in all circumstances.
- **Identify the human rights that may be most relevant for your company.** Pick a particular right (such as right to education, right to health, or others relevant to your business) and avoid talking 'generally' about human rights.
- **Engage with stakeholders:** Talk to people and organisation in the industry and locations where you plan to do business. Find out about their concerns relating to human rights and ask them about any current or past incidences of human

*"The majority of the population still lack an awareness of their legal rights. As a rule, people are not aware of their rights or how to implement them. Moreover, a wide range of legal documents have been enacted during the past 15 years and these documents have been replaced at a very fast rate. As a consequence, it is very difficult for ordinary people, especially the poor and the disadvantaged, to understand the law or gain access to legal services. In addition to this, a common conception of how the legal system and its components should function has not been reached. Many legal provisions are vague or inconsistent, which reduces the effectiveness of law enforcement."*

**The Danish Institute for Human Rights, Vietnam Page**  
<http://www.humanrights.dk/international/geographical+regions/asia/countries/vietnam/vietnam+and+human+rights>

rights abuses. Engage stakeholders in a locally sensitive and appropriate way and determine whose human rights the business should be concerned about.

- **Ensure the company is not involved or complicit in human rights abuses.** Make sure you are not conducting business with other organisations that

might be responsible for human rights abuses where you might be seen as complicit with those human rights abuses. Ensure that joint venture partners, contractors and suppliers are not themselves involved in human rights violations. Ensure that you do not benefit from the human rights abuses of the private sector or public sector.

- **Identify what can be done within the business' sphere of influence** to respect and, possibly even promote specific human rights in an appropriate manner. For example, ensure that the company's security arrangements do not violate human rights.
- **Build the business case** for the protection of specific human rights for your company.
- **Develop a human rights policy:** Make your commitment to upholding human rights a publicly available document and ensure that it is communicated within the organisation and amongst key stakeholders and business partners. In the policy concentrate on the most significant aspects of human rights in your location and your industry. The policy may clarify:
  - How the company will assess Human Rights related performance
  - How the company will integrate Human Rights policy through the organisation
  - How the company will measure and



track Human Rights related performance over time

- **Develop a system to uphold human rights:** Ensure that your human rights policy is embedded into the organisation and that staff are aware of their responsibilities to uphold human rights. Ensure that there are written codes of conduct covering the



# Human Rights

behaviour of staff with respect for human rights. Put in place procedures for staff to report on human rights abuses or any concerns they have relating to potential human rights violations.

- **Undertake a risk assessment:** Carry out research to determine what exposure the company might have to potential and real human rights abuses in the industry and location in which you operate. Track past events and examine any recent campaigns associated with human rights. Identify

minority and indigenous groups that may be vulnerable to human rights abuses.

- **Measure and report progress:** Annual internal audits by an independent auditor and employee feedback are good ways to ensure that your company is not violating its own human rights policies. Disclose information on all incidences of human rights abuses and/or procedures that have been put in place to avoid human rights abuses or complicity with abuses.

## Case study 1: Free Prior and Informed Consent/Consultation (FPIC) as a tool for Human Rights

Many companies and other stakeholders such as governments, financiers and communities recognise that obtaining 'Free Prior and Informed Consent' can be a useful tool in managing community relations and protecting local people's rights. While the IFC performance standards use the language of free, prior and informed *consultation*, companies such as Rio Tinto, Anglo American and Wilmar in Malaysia have used FPIC as an important tool for managing community relations.

FPIC refers to informed, non-coercive negotiations between companies and their multi-stakeholders – including indigenous communities, governments and other companies – prior to development. The concept is in line with the international human rights law which recognizes indigenous peoples' inherent and prior rights to their lands and resources, and its underlying principles can be summarized as i) information about and consultation on any proposed initiative and its likely impacts; ii) meaningful participation of indigenous peoples; and iii) representative institutions.

Wilmar has found the FPIC framework useful and has helped to provide guidance for companies operating in land-based industries, and in areas where customary and indigenous rights are not fully reflected in national legal frameworks. Although the FPIC framework should ideally be used to prevent conflicts through prior consent, Wilmar's experience shows that the framework can also be helpful in resolving existing conflicts and enhancing community trust.

Source: <http://globalcompactasiapacific.org/regional/articles/entry/--2009-09-04>

## Case study 2: Oz Minerals

In their 2008 Sustainability Report Oz Minerals explain the company's commitment to understand, uphold and promote fundamental human rights within their sphere of influence, respecting traditional rights and cultural heritage. The company notes that in Cambodia, in their exploration activities in OKvau, OZ Minerals is seeking to clarify the situation with regard to indigenous traditional rights to both land and the gathering of forest produce in the area, and has begun making contact with local community leaders in the OKvau area and liaising closely with environmental planners. The group explains that their Cambodian sites are mainly located in areas where few people live but also where the non-Khmer speaking minorities are dominant and that these groups do not have formal land rights. Without clear land rights, they recognise that their projects can undermine traditional ways of life and they have requirements for land rights investigations.

Their Sepon Site near the Vietnam border in Laos unearthed considerable cultural heritage when clearing UXO in 2008 (now owned by China MinMetals Group). The finds including ancient mine shafts and a Dong Sun Drum potentially dating back to 100 BC reflect the ancient tradition on mining in the area. The company's sustainability report note how the company upgraded its cultural heritage management system, including codes of practices and standard operating procedures for the location, recording and protection of cultural heritage. The operation also conducts training for all employees regarding cultural heritage issues.

Source: Oz Minerals Sustainability Report 2008 page 53 and 57.



# Human Rights

## Case study 3: A. Food Company Ltd\*.

Food safety for customers is a key issue for food processing in Vietnam. For A. Food Industry Company Ltd., with operations across Asia, food safety was key to the company's success. The company ensures food safety through a strict control system:

- Detailed policies and regulations on work process, procedure, and motions (in some key stages of the assembly) have been formulated
- Workers are responsible for documenting any errors or irregular incidents related to food standards. The team leaders collect these mini reports every day to submit to the Quality Control Team.
- Every week, the Food Safety and Labour Safety Committee, together with different work divisions, conducts regular checks/ inspections. In the inspections, the divisions cross-check with each other.
- All violations are documented and reported to the Board of Directors during weekly update meetings
- Violations are documented in an internal database for further analyses. The analyses aim at discovering root causes of the violations and guiding corrective measures in a more systematic manner.
- Number and seriousness of the violations are part of performance appraisal criteria.

According to a company's manager, ensuring food safety is the same as ensuring the "company's safety".

Source: Notes from Interviews

\* Name of company has been changed for confidentiality reasons



## Case study 4: A JV Mining Company

JV Mining Company\* is a joint venture mining company in Thai Nguyen. The company defines its overall corporate commitments, including an environmental policy, committing to responsible stewardship of the natural environment in all areas of project operations, and to the minimization of environmental impacts, and occupational health and safety policy, which commits to safeguarding employees, contractors, visitors and community members against adverse health and safety risks during all phases of project construction, operation and decommissioning. JV Mining Company has also implemented an external relations and development policy, which seeks a beneficial and sustainable partnership with local communities, as well as a human resource policy, which aims to create a work environment that is "responsive and to employees' personal and professional goals, offering fair and equitable employment opportunities and preferential recruitment for qualifying local residents

\*Name changed for confidentiality

## Case study 5: Health and Safety at Holcim – ensuring it's a place people want to be

Holcim Vietnam Ltd as part of the Holcim Group has clear commitments, policies and practices at the global level in relation to sustainable development. The company is active in the Global Compact both globally and in Vietnam.

The company recognizes that the health and safety of our employees, subcontractors, third parties and visitors is vital to its business success. The company's 'Passion for Safety' initiative aims for continuous improvement. The company's overall vision is one of 'zero harm to people'. As noted on the website, all Group companies are required systematically to implement a series of fatality prevention directives by the end of 2010. The Group's OH&S management system further guides our approach. Clear organizational accountabilities are supported by a robust program of training, communication, strict procedural discipline and locally developed policies and action plans. Five Cardinal Rules have been laid down, as below. There is zero tolerance for breaches and very stringent consequence management.

Holcim's Five Cardinal Rules on OHS

1. Do not override or interfere with any safety provision and do not let others override or interfere with safety provisions



# Human Rights

2. Personal protective equipment rules applicable to a given task must be adhered to at all times
3. Isolations and lock-out procedures must always be followed
4. No person may work if under the influence of alcohol or drugs
5. All injuries and incidents must be reported

In Vietnam, the company works independently so takes the global standards and guidelines but needs to localise and customise the approach. CSR will therefore look differently in Vietnam than in other countries. The company provides training internal for all employees and for contractors. The company also gets involved in community wide safety programmes and provides helmets for all employees (given that road accidents are a common source of injury and fatality in Vietnam). The company has specific policies for specific issues such as working at heights and working in confined spaces. They measure their performance and need to ensure a target of 80 or 90 or 100 percent in different areas. company recently celebrated 500 days without any injuries which includes any small accidents such as a cut on the hand.

For the employee this means working in a place that is taking steps and precautions to ensure health and safety. For Holcim this is good business. Manufacturing Cement is a heavy industry and they are a big employer and also need to build positive community relations. When people work for Holcim they can go back home safely. This brings benefits such as employee retention and building trust in the community.

Source: Notes from Interview and company website

## WHY BOTHER? HAVING A CLEAR COMMITMENT AND SYSTEMATIC APPROACH TO HUMAN RIGHTS CAN HELP BUSINESS TO:

- Meet investor expectations
- Manage legal and financial risk:
- Manage reputational Risk
- Mitigate pressure from Government
- Bring a Social License to Operate
- Increase Staff Retention and Motivation



## ADDITIONAL USEFUL RESOURCES RELATED TO HUMAN RIGHTS AND BUSINESS:

- Ministry of Labour, Invalids and Social Affairs <http://www.molisa.gov.vn/>
- Vietnam National Report on Human Rights <http://www.vietnamembassy-usa.org/news/story.php?d=20090424174141>
- Business leaders initiative on Human Rights Guide <http://www.integrating-humanrights.org/>
- [www.business-humanrights.org](http://www.business-humanrights.org).
- Human Rights Training Toolkit for the Oil and gas Industry [http://www.ipieca.org/activities/social/social\\_hr.php](http://www.ipieca.org/activities/social/social_hr.php)
- IBLF Guide to Human rights impact assessment and management
- OECD Guidelines for Multinational Enterprises a set of voluntary principles including on human rights, provide a complaints procedure. The Guidelines apply to multinational firms operating in or from the 30 OECD participating countries and nine non-member countries. <http://www.voluntaryprinciples.org/principles/index.php>
- Danish Institute for Human Rights Vietnam Page <http://www.humanrights.dk/international/geographical+regions/asia/countries/vietnam/vietnam+and+human+rights>
- UN toolkit on Rights Based Approach [http://www.un.org.vn/index.php?option=com\\_docman&task=doc\\_details&gid=115&Itemid=211&lang=vi](http://www.un.org.vn/index.php?option=com_docman&task=doc_details&gid=115&Itemid=211&lang=vi)





# Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

Principles 3, 4, 5 and 6 of the Global Compact refer to how a company relates to its employees and maintains good labour practices. This is derived from the ILO Declaration on Fundamental principles and Rights at Work (1998). The declaration covers four fundamental principles and rights in relation to work:

- Freedom of association and the effective recognition of the right to collective bargaining (C. 87 and C.98)
- Elimination of all forms of forced or compulsory labour (C.29) ratified in 2007
- Effective abolition of child labour (C.138 ratified in 2003 and C. 182 ratified in 2000)
- Elimination of discrimination in respect of employment and occupation (C.100 ratified 1997 and C.111 ratified in 1997)

Vietnam has a thorough and comprehensive labour code which, together with implementing decrees and

regulations comprehensively addresses issues such as working hours, breaks and meals, minimum wages and overtime, redundancy, rights of women and young workers, occupational health and safety, collective agreements, and systems for resolution of disputes<sup>5</sup>. However, what is in policy and what is in practice can be quite different. Similar to other areas of the Global Compact, there are challenges with enforcement due to reluctance on the part of companies to comply with it and limited capacity of the labour inspection apparatus. Some companies have commented that they feel that the code is too difficult for companies to adhere to and is not achievable for them<sup>6</sup>.

Vietnam has ratified numerous ILO conventions such as No 138 on Minimum age in 1973; No. 155 on Occupational Safety and Health in 1981; No. 81 on Labour Inspection in 1947; No 100 on Equal Remuneration

<sup>5</sup> ILO (2006). Market Assessment: Factory-Level Management and Labour Service in Viet Nam

<sup>6</sup> Notes from interviews



in 1951; No 182 on Worst Forms of Child Labour in 1999; No 111 on Discrimination (Employment and Occupation) in 1958. Vietnam has not signed the ILO convention on freedom of association and collective bargaining.

## COMPANIES WHO WOULD LIKE TO BE A LEADER IN THIS AREA SHOULD:

- Develop a comprehensive **code of conduct** to include policies and statements on each of the following areas<sup>7</sup>:
- Compliance with national laws and international standards.

- Fair employment practices including fair wages, overtime compensation, days off, and leave allowances.
- Good health and safety practices.
- Prohibition of child and forced labour
- Non-discrimination based on race, gender, sexuality, national origin or religious beliefs.
- Prohibition of harassment and abuse
- Consider how rights of freedom of association and the rights to organise and bargain collectively are approached in relation to your company and in Vietnam's context.
- **Provide employees a voice** in the workplace through for example trade



<sup>7</sup> Adapted from materials produced by Stephen Frost for Oxfam Hong Kong CSR garment industry guide

unions or other forms of worker representation (e.g. health and safety committees) that allow for communication between employees and management.

- Ensure that there is widespread **understanding of the national law** and the code of conduct through training and capacity building.
- Work with your business partners to build capacity to adhere to the code of conduct.
- **Risk assessment:** Have your code of conduct externally verified and monitor compliance with the code through audits. Audits should include:
  - Worker interviews.
  - Management interviews.
  - Interviews with other stakeholders that look after the interests of workers.
  - Workplace inspections and inspection of personal protective equipment and its proper use.
  - Desk audit of factory records .
- Companies should have a **clear policy and system for grievance**.
- **Ensure workers have access to adequate information.** Engage with different members of staff to ensure that they know about the company's commitment and to ensure that their views and concerns are being considered. In the longer-term this will lead to increased employee satisfaction and enhanced productivity.
- Encourage workplace health and wellbeing by ensuring **that staff are**

**kept aware of risks to their health** and ways in which they can prevent accidents and damage to their health. Promote a healthy lifestyle by encouraging good diets and exercise.

- If **child labour is found** in the organisation, supply chain or in any business partnerships, ensure that when dealing with the situation the best interests of the child informs decision-making and subsequent actions.
- At a minimum ensure **fair, regular and on-time payment of employees** and a safe work environment.
- Ensure that you company's policy on non-discrimination covers **discrimination** because of age and ethnic origin (in addition to gender, marital status and disability).
- Making commitments and setting **policies is just the first step**. In order to be accountable towards stakeholders a company needs to measure and report on progress made towards achieving these commitments and implementing policies.
- **Measure and report progress:** The most important issues you should be reporting on include your company's approach to appropriate wages levels, discrimination, workplace conditions and child labour. You may want to consult with members of your staff to identify performance indicators to report on.

## Case study : Mining and Labour

We spoke to one company which is a joint venture mining company in Vietnam whose first priority has been on building capacity in its employees and on health and safety. The company has set up a programme which starts with safety as they 'don't believe in Karma'. They realised that in bringing to life their health and safety goals they first had to surpass a cultural barrier regarding people's ideas on health and safety (which are linked to fate and luck) and that company steps could be taken to protect this. With a core leadership group they develop and test training models and then work at the district level to employ people and start work readiness training which involves 3 or 4 aptitude streams. Then the company also provides on the job training. They have realised that to achieve their health and safety goals it is first about attitudes and are therefore principle led. They don't want to employ anyone without at least a 90 day contract as they feel they must work with people on the long term. The company has developed an internal labour regulations handbook, code of conduct, employee training.

Source: Notes from Interview

### I AM AN INTERNATIONAL COMPANY WONDERING HOW I COULD UPHOLD THE PRINCIPLE OF FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING IN THE CONTEXT OF VIETNAM?

In principle, the Trade Union Law in Vietnam, enables the organisation of trade unions and the negotiation of legally binding collective agreements. The only recognised union in Vietnam is the Vietnam General Confederation of Labour (VGCL) and there can be only one union in an enterprise and usually (but not always) the head of the Union is also in a management position. The

local enterprise level union must be recognised by the higher level VGCL. The Executive Committee of the trade union in an enterprise can negotiate collectively on behalf of workers and either the union or the employer can request to negotiate a CBA. Either party has 20 days after receiving a request to decide and agree on a date to begin bargaining. It is important that negotiations are in 'good faith'. While workers have a right to strike, "complicated laws make it almost impossible to exercise these rights"<sup>8</sup>. In 2008 there were a growing number of wildcat strikes which were 'tolerated'<sup>9</sup> to some degree by the relevant authorities.

<sup>8</sup> ibid

<sup>9</sup> It should be noted that different sources feel differently about whether these work stoppages were actually tolerated

In public services, SOEs and certain industries deemed important to national economy and defence (including the oil and gas industry), strikes are prohibited.

The ISO 26000 uses the language of 'social dialogue' which is based on the ILO principles. This maybe more useful terminology for companies in Vietnam to use on these issues.

### WHAT SHOULD I DO IF WE FIND CHILD LABOUR?

The principle of the effective abolition of child labour means ensuring that every girl and boy has the opportunity to develop physically and mentally to her or his full potential. Its aim is to stop all work by children that jeopardises their education and development. This does not mean stopping all work performed by children. International labour standards allow the distinction to be made between what constitutes acceptable and unacceptable forms of work for children at different ages and stages of development.

The principle extends from formal employment to the informal economy where, indeed, the bulk of the unacceptable forms of child labour are to be found. It covers family-based enterprises, agricultural undertakings, mining, domestic service and unpaid work carried out under various customary arrangements whereby children work in return for their keep.

Companies need to ensure that they are complying with the local laws regarding



the age of workers. Different countries set different ages given their circumstances but should never be less than the age of completion of compulsory schooling and not less than 15 years. The minimum age in Vietnam is 15 years although children can join a an apprentice training programme if they are 13 years old and have the consent of their parents. However, no worker under 18 years should be exposed to hazardous work. Types of work now dubbed "the worst forms of child labour" are however totally unacceptable for all children under the age of 18 years. These forms include such inhumane practices as slavery, trafficking, debt bondage and other forms of forced labour; prostitution and pornography; forced recruitment of children for military purposes; and the use of children for illicit activities such as the trafficking of drugs. Forms of



dangerous work that can harm the health, safety or morals of children & subject to national determination, by government in consultation with workers' and employers' organisations.

Employers should keep up to date records of dates of birth of all employees and remember that if workers take work home there is a risk that other (younger) family members may be working. Businesses hire children due to a range of reasons such as: labour shortages, lower cost, assistance for a poor family, lack of child care, more compliant/ manageable, ignorance and innocence. If underage workers are found the company should take action that is in the best interests of the child and consider what they can do to provide the best start in life for the children and help prevent them from

*"Is there child labour? Yes. Particularly with sub-contractors firms cannot control this. When the sub-contractors are groups of people, the leader can change team members easily. Most labour is seasonal – working sometimes on sites and then returning to farms. Such workers don't have insurance and salaries are sometimes not paid on time. It is not hard to find a case of death on site because of unsafe working conditions and / or skills and behaviours"*  
Chairman of a leading Vietnamese Construction Company

harm. Companies should remember that quickly and abruptly stopping employment can potentially be a risk for children. If they are under 18 and doing hazardous work the company should consider if they can find a light work placement as well as opportunities for children to continue in or finish their education. In any effective strategy to abolish child labour, provision of relevant and accessible basic education is central. But education must be embedded in a whole range of other measures, aiming at combating the many factors, such as poverty, lack of awareness of children's rights and inadequate systems of social protection that give rise to child labour and allow it to persist.

ILO has published among other the guides for employers: ***"Eliminating child labour, guides for employers: introduction to the issues of child labour (Guide 1/3)"***.

## WHAT STEPS CAN I TAKE TO ENSURE WORK IS FREELY CHOSEN?

Forced labour, as implied, takes place when a person has not taken on the work voluntarily and where there are threats and penalties and it is prohibited in the Vietnamese labour code.

Companies must make sure that there is no forced, bonded or involuntary prison labour used in their factories, on their mines, on their rigs or in their refining or production processes. Companies should make sure that workers do not need to lodge 'deposits' or leave their identification documents with their employers and that,

providing reasonable notice is given, they are free to leave their employment.

## WHAT ABOUT DISCRIMINATION? IS THIS REALLY A PROBLEM?

Discrimination is when a company makes a choices about employees based on qualities such as gender, religion, beliefs, marital status, horoscope or age as opposed to a persons ability to do a job. This is not good for business. It is against the law in Vietnam and it can deprive your company of much needed options for human resources.

## WHY BOTHER? THE PROMOTION OF THE FOUR LABOUR PRINCIPLES CAN HAVE A POSITIVE IMPACT ON A COMPANY'S SHAREHOLDER VALUE IN THE FOLLOWING WAYS<sup>10</sup>:

- Access to new markets and customers
- Higher productivity
- Increased retention of employees
- Improved reputation among consumers
- Lower training costs
- Fewer fines
- A safer workplace
- Improved relations (with government, other businesses, civil society)

## ADDITIONAL USEFUL RESOURCES RELATED TO LABOUR:

- MOLISA <http://www.molisa.gov.vn/>
- Vietnam General Confederation of

Labour  
<http://www.congdoanvn.org.vn/english/default.asp>

- Better work Vietnam  
<http://www.betterwork.org/vietnam> (while Better Work Programme currently focuses on Factories, companies may find some useful resources here)
- ILO Vietnam  
<http://www.ilovietnam.org/> and ILOEX database of labour standards  
<http://www.ilo.org/ilolex/english/ind ex.htm>
- ILO 'The Labour Principles of the United Nations Global Compact'  
[http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---multi/documents/instructionalmaterial/wcms\\_101246.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---multi/documents/instructionalmaterial/wcms_101246.pdf)
- SA 8000 <http://www.sa-intl.org/>
- <http://www.ilo.org/ipecc/Partners/Employers/lang--en/index.htm>
- <http://www.ilo.org/public/english/dialogue/actemp/whatwedo/projects/cl/guides.htm>
- ILO MNE declaration  
<http://www.ioe-emp.org/en/policy-areas/csr/ilo-mne-declaration/index.html>
- The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises  
[http://www.oecd.org/departement/0,3355,en\\_2649\\_34889\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34889_1_1_1_1_1,00.html)

<sup>10</sup> <http://www.globalcompact.org.ua/businesscase/labourprinciples>

## Case study 5: Construction – Academy of Managers working to build capacity

Worker safety is a pressing issue in the construction industry in Vietnam. More attention has been paid to this issue recently due to some recent disasters on construction sites. While there are regulations in place to make sure firms satisfy basic criteria, in reality limited monitoring and checking make it difficult to enforce. Many firms hire sub-contractors which complicates matters even more. Building capacity and training of construction workers can help to improve this.

The Academy of Managers for Construction and Cities, a professional body of the Ministry of Construction (MoC) has been taking its activities nation-wide in the fields of training and retraining construction staff, researching, giving advice on organisation and management. Its main function is to organise refresher courses for construction officials and managers at all levels. In addition, the Academy also organises training for firms to build capacity for managers.

Source: <http://amc.edu.vn/?hoangphu=News&NewsA=OTA=>

## Case study 6: Trade Union Leader trying to do his job in difficult circumstances

In our interviews with some foreign companies there can be an impression that the Trade Union in Vietnam is not effective and simply an ‘organ of the party’ and therefore unable to represent workers or help them to protect their rights. However, in other interviews we met individuals working for their Trade Union who are working hard to protect their fellow workers rights. However, the following excerpt from an interview with the head of the Trade Union shows the challenges for trade unions, and their representatives in Vietnam in achieving what they are tasked to do.

*“We (the union) are financed largely by the company. I got paid 4 million VND by the Union which is not enough to live off of and about 12 million VND by the company. It is very hard for me both from an individual and trade union perspective to be independent. We need to balance how to work with managers without irritating them....We (the Trade Union) have to balance different forces – managers who pay us and workers who need us to protect them”.*

*“In our company in the last 5 or 6 years we have not had any big accidents, only minor ones. This is because we frequently go to check in the field. I have written reports of violations and publicly reported to the management meetings every month or quarter. Some managers do not like it but that is my job. But, as I said before, we need to balance between doing the job and not irritating the managers. If not, I can be out of office in the next tenure and someone else who can ‘better manage this balancing act’ will come in”.*

Source: Notes from Interview

## Case study 9: P.A. Food Processing Company Ltd.\*

P.A. Food Processing Company Ltd.\*, which main product is flour, employs 120 people. In addition to complying with relevant labour related government regulations (e.g. on minimum wages, insurance, or overtime benefits) the company provides some extra benefits and mechanisms to ensure labour’s rights:

- The company offers a place of residence for its employees and their families including all necessary basic appliances, such as kitchen, refrigerator, and TV. Currently there are about 25 families (90 people) living in company sponsored residential houses. The company discloses relevant financial policies to employees (e.g. salaries, bonus, performance appraisal). At each beginning of the year the company has a meeting with employees to present and discuss these policies, and at each year’s end bonuses are given out based on the agreed policies. Employees of the company are provided the contacts of the District’s Trade Union, and they can contact for questions or consultation on labour rights. On the other hand, the company is also in close contact with the District Trade Union for consultation.

According to the Head of Personnel Department, the main purpose of these practices is to enhance employee satisfaction and retention. As a result of these practices, there were no labour dispute in the last years, and employee productivity has increased.

Source: Notes from Interview

\* Name of company has been changed for confidentiality reasons

## Case study 10: SA 8000 beyond apparel and footwear?

SA 8000 is a globally recognised standard for ensuring a fair and human workplace and improving working conditions. Since the late 1990s many manufacturing companies in Vietnam have been using the standard. When we interviewed manufacturing companies, those that have run (SA8000) for some years suggested that this provides many benefits in the end, which they did not think of at the beginning. The benefits include: developing a culture of disciplined, organized, and also push managers to try for better solutions in the competition.

The standard is now starting to be used in the mining industry. In 2004, Tata Steel’s Sukinda Mine in India became the first mine to achieve SA800. In 2007, Kingsgate’s Thai subsidiary, Akara Mining, which operates what it claims is the world’s safest gold mine, also gained accreditation.

Source: [www.tata.com](http://www.tata.com) and [www.irasia.com/listco/au/kingsgate/profile.ht](http://www.irasia.com/listco/au/kingsgate/profile.ht)





# Environment

*Principle 7:* Businesses should support a precautionary approach to environmental challenges;

*Principle 8:* undertake initiatives to promote greater environmental responsibility;

*Principle 9:* encourage the development and diffusion of environmentally friendly technologies.

Principles 7, 8 and 9 of the Global Compact relate specifically to the environment.

Vietnam is endowed with unique natural heritage but conflicts, urbanisation, poor planning, industrialisation and intensive farming have all had a heavy impact on the environment. Air pollution and water pollution is getting worse. Vietnam is recognised as a country with a high level of biodiversity, ranking 16th in the world. However, ecosystems, especially tropical forests, which have the highest and most varied biodiversity, have declined drastically over recent years due to wars and conflicts, poverty and population growth, climate change and pollution.

Vietnam, with its long coastal area, has always been affected by severe weather but is now deemed to be one of the most vulnerable countries to climate change in the world. The country has always had to deal with floods, storms and droughts but climate change is putting additional stress on infrastructure such as barriers for flood retention. Business contributes

to this vulnerability by emitting greenhouse gas emissions that contribute to global climate change and impacting the environment and thus reducing adaptive capacities to deal with climate change impacts.

Most local businesses see environmental protection as an added cost that they cannot afford. For the current generation of business leaders it has been tough enough to get a financially viable business running and secure clients within the region and beyond. While environmental laws may appear on paper to be quite comprehensive, until recently enforcement has been rare and opportunities for 'facilitation payments' to turn a blind eye have been frequent. With few pressures and challenges from enforcement it has been fairly easy for companies to operate with a complete disregard the natural environment. There is limited motivation for environmental protection as local authorities have their revenues, and promotions, linked to attracting new foreign direct investment and tax receipts.



Vietnam is currently updating its national strategy for environmental protection. The most recent one (up to 2010) set out a series of goals aiming for all production facilities to apply clean technology, or have pollution control facilities and to providing wastewater treatment systems; and targets in waste collection and treatment. It calls for 75 percent of environmental polluters to be held accountable. The updated Environmental Protection Law (2006) includes provisions for the adoption of “polluter pays” measures; for instance for waste discharge into water bodies and the disposal of hazardous wastes.

The law also foresees payments for natural resources use and rehabilitation, and reliance on environmental protection funds. In theory authorities are required to report to communities the names of polluting establishments, and people can demand either businesses or government agencies to provide information on polluting incidents.

## COMPANIES WHO WANT TO BE A LEADER IN THIS AREA SHOULD:

- For each new development and extension of existing operations ensure that:
  - A thorough and comprehensive **Environmental Impact Assessment (EIA)** occurs and that the EIA is based on free prior informed consultations.
  - The impact on local biodiversity and ecosystems is being considered and measures are taken for **preservation or restoration where possible.**
- **Evaluate** how good environmental performance can help build your brand and reputation and demonstrate internally how environmental management saves costs, reduces incidents, prosecutions, liability and insurance.
- Consider **environmental assessments of supply chains** to ensure that your suppliers, contractors and manufacturers comply to environmental laws and regulations.
- **Risk assessment:** Identify environmental laws and regulations

and whether you comply with these. Also identify any business operations and or units that may cause adverse effects to the environment and develop appropriate measure to limit or mitigate those effects.

- **Identify the most “significant environmental impacts”** from your business operations and how they can be eliminated or mitigated. Improve your environmental performance by considering the impact of business operations on air, land and water and putting in place measures that ensure that:
  - Waste products are disposed in ways that do not harm the environment, for example waste and/or wastewater is not discharged into rivers.
  - Waste, wastewater and emissions such as greenhouse gas emissions are measured and reduced.
  - The use of water, paper and electricity is measured and reduced. Energy efficiency target has been set.
- **Consider guarantees for cleanup monitoring and maintenance.**
- Reductions targets for waste, emissions generated and resources used are set. Reductions targets are ambitious but also achievable.
- **Stakeholder engagement:** Enter a dialogue with your most important stakeholders to better understand their views of your environmental performance and how you could improve it. Integrating your stakeholder’s views in your decision

making will help you in building your brand and reputation.

- **Engage communities:** Make sure that communities are informed of business operations that could affect their land, health or income. Provide a complaints and grievance mechanism to communities affected by your operations, customers and staff.
- **Measure and report on progress:** Measure your environmental performance and then report and disclose results in your Annual Report, Sustainability Report or your website. At a minimum measure and report on the indicators listed above.

## WHAT IS THE PRECAUTIONARY APPROACH?

The precautionary approach is a core guiding principle on corporate environmental governance and management. It is part of the 27 principles in the Rio Declaration on Environment and Development, a document intended to guide sustainable development around the world. In line with the precautionary approach in cases “where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation”. Given the complexities of our natural environment, some of which we are only beginning to understand, international



best practices dictate that our approach should be based on the principle of precaution. This might mean being careful about chemical processes, waste water discharges, pollution impacts and resource use. It means always considering the possible impacts of your operations on the environment with respect to both normal operative procedures as well as involving accidents and emergency situations. Whereas some countries specifically refer to the precautionary principle in their environmental laws, this is not the case in Vietnam.

## WHAT IS ISO 140001 AND HOW CAN IT HELP ME?

ISO 14001 is an internationally recognised standard for environmental management systems. It prescribes controls for those activities that have an effect on the environment. These include the use of natural resources, the handling and treatment of waste and energy consumption. It helps companies to better manage their environmental impact.

Vietnam's Environmental Protection Strategy (2006 – 2010) aimed to ensure that half of all businesses are awarded certificates which meet local standards or global standards such as ISO 140001.

## WHAT ARE ENVIRONMENTALLY FRIENDLY TECHNOLOGIES?

The Global Compact principles refer to

environmentally friendly technologies. Companies can make choices to use technology which is less polluting, protects the environment, uses resources more sustainably and helps recycle waste and handle waste in a better way than technologies they are replacing. Companies need to decide which technologies are most relevant to them. The use of better technology can play a very significant role in reducing your impact on the environment and reducing costs in the long-term.

## WHY BOTHER?<sup>11</sup> THERE IS A STRONG BUSINESS CASE FOR ENVIRONMENTAL LEADERSHIP:

- Energy efficiency and waste reduction decrease operating costs.
- Pollution control and spill prevention reduce liabilities.
- Financial markets are adverse to businesses exposure to environmental risks.
- Environmental management systems can unlock productivity gains.
- Consumers are becoming increasingly interested in environmentally friendly products and services.
- Community relations can be improved through good environmental stewardship.

<sup>11</sup> Source:

## Case study 11: Asian Mineral Resources Limited

Asian Mineral Resources Limited ("AMR"), a mining company headquartered in Canada but with operations in Vietnam, comprehensively discloses environmental, social and governance information on their Vietnam web page. This covers their environmental policies, approaches to corporate governance issues and their community engagement. Their environmental principles include reporting on environmental programmes, as well as reviews and assessments of their environmental management systems and activities. Asian Minerals Resources has clearly identified its environmental policies and principles for Vietnam and has disclosed them to the public for being held accountable for them. See URL: <http://www.asianminres.com/>



## Case study 12: VINACOMIN

VINACOMIN (Vietnam National Coal-Mineral Industries Group) aims to extract an increasing amount of coal over the coming years: 48-50 million tonnes in 2010, 60-65 million tonnes in 2015, 70-75 million tonnes in 2020 and 80 million tonnes in 2025.

According to the Group's development plan, VINACOMIN is seeking to reduce the environmental impacts of its coal extraction operations and to be able to meet all environmental standards by 2020. The use of more modern technology for underground mining is now being considered at a number of mines in order to assure the safety of the miners and minimize pollution. Also coal mining in open-pit mines is sought to be improved to increase output and minimize adverse impacts on the environment.

It is thought that VND 279.049 trillion could be invested in the Vietnamese coal sector between 2008 and 2015, which would be an average of VND15.503 trillion a year.

Source: Mai Hoa (2009): Cleaner Coal Extraction. Available at: <http://www.monre.gov.vn/monrenet/Default.aspx?tabid=211&idmid=&ItemID=76336>



## Case study 13: Holcim Vietnam Ltd.

Holcim Vietnam Ltd. is a 35%/65% joint venture between Holcim Ltd, a Swiss based global construction materials leader, and Vietnam Cement Industry Corporation. The company shows leadership on sustainability focusing on the usage of raw materials, energy saving and waste water reduction schemes. They use ISO 14000 in Vietnam and have many environmental awareness and research activities.

In 1995, the International Finance Corporation (IFC) approved an investment for Holcim, for the sourcing from karst formations in South Western Vietnam. An initial environmental assessment indicated no special environmental commitments.

During Holcim's development of the area more information regarding the biological value came to light in terms of the region's uniqueness in grassland, wetland, mangrove habitats, birds life, and karst landscapes. In 2002, a new environmental assessment pointed to the presence of the endangered Sarus Crane in conjunction with previously unrecorded endemism of the limestone mammals. Shrimp farming and other agricultural activities also expanded, and further grassland habitats were lost. Addressing biodiversity conservation would be an important part of keep on doing business in the region. Holcim's corporate reputation could also be affected by inadequate dealing with the environmental matters.

Holcim and IFC cooperated with the International Crane Foundation to identify viable sites to conserve. The project won financial support from several sources, including the World Bank Development Marketplace and the local government. In 2004, another biodiversity study of the Ba Voi karst revealed that the endangered silver-backed langur would be adversely impacted by Holcim's quarrying activities, as the habitat remaining after quarrying would not be sufficient to support the current population. In addition, relocation of the monkey population would not be an option, and Ba Voi is important for a range of endemic and rare invertebrates.

Holcim Vietnam, the International Crane Foundation and the Kien Giang People's Committee have collaborated with national scientific institutions to map land types and land use on the Ha Tien Plain. The eastern Sarus Crane now roosts within the Holcim site boundary.

Source: [www.holcim.com/vn](http://www.holcim.com/vn)

## Case study 14: Green Building Standard in Vietnam

The Vietnam Green Building Council (VGBC) supports green building, urban planning, and infrastructure development in Viet Nam, in the context of adaptation to the effects of global climate change. VGBC's objective is to facilitate the construction and renovation of sustainable, resilient, climate change adapted buildings and neighbourhoods. For this reason the VGBC has developed a nationally and internationally recognized Green building Rating Tool called LOTUS.

The purpose of LOTUS is to provide a recognizable framework for sustainable building in Vietnam. Lotus relates fully to the existing building regulations of Vietnam as well as normal building practices and considers climate and urban development situations peculiar to Vietnam. This makes the tool locally relevant. LOTUS is composed of the following nine different credits: energy conservation, water conservation, material conservation, ecology, pollution and waste, health and comfort, adaptation and mitigation, community, and management. On-going LOTUS pilot projects include a number of office buildings such as those of the One United Nations Green House or of the Department of Science and Technology of HCMC people's Committee as well as a factory building.

Source: Interview notes and [http://vsccan.org/vgbc\\_english/](http://vsccan.org/vgbc_english/)

## Case study 7: RRC Vietnam Ltd.\*

RRC\* Vietnam Ltd.\*, a soft drink manufacturer, is located in the Vietnam-Singapore Industrial Park (VSIP I), Binh Duong. The company's food processing plant has to comply with the environment protection regulations and is subject to VSIP Management Board's daily inspection. In addition, the company has invested in a number of additional equipment and measures to improve its environmental performance including the following:

- The company switched from the use of petroleum to the more expensive but less polluting gasoline.

The plant's smoke stack was re-constructed to reduce impact of air pollution on communities in its vicinity. The company is gathering its wastewater in a dedicated pool before discharging it into the VSIP treatment system. Initially pollution levels were monitored during VSIP inspections using a pollution thermostat. The company has now invested in equipment to continuously monitor pollution levels of its wastewater before discharging it into the VSIP treatment system. With Vietnamese officials and consumers being increasingly aware of environmental issues, the company's Trade Union Leader recognized that the company's products (soft drinks) were very sensitive to any incident damaging the company's brand. He considers complying with regulations and proactively protecting the environment helps avoiding unfortunate incidents.

Source: Notes from Interview

\* Name of the company has been changed for confidentiality reasons



## Case study 8: Oil and Gas: SOCO extends the durability of its assets

SOCO is an international oil and gas exploration and production company and has offshore operations in Vietnam in the Cuu Long Basin. The first flow of crude oil and wet gas from CNV occurred in July 2008. SOCO's community investment in Vietnam is mainly targeting children, the elderly and those with limited ability to work. On the environmental side, SOCO uses an unmanned platform in its Ca Ngu field (CNV) that is tied back to the Bach Ho central processing platform. Oil production will pass to existing onshore facilities, leading to an extension of the durability of these assets. The most material environmental issue will be the production of significant quantities of associated gas.. This is the first project in the Vietnamese petroleum industry that reduces the impact on the environment by means of maximising the life of existing infrastructure as a result of using the existing facilities. SOCO could also minimise the investment costs, leading to a value add to the society, the environment as well as the company.

Source: [www.soco.com](http://www.soco.com)

## Case study 9: Vien Hoan Corporation's fish farming without antibiotics

Vien Hoan Corporation operates aquaculture cultivation facilities and processes and markets seafood products. The company is planning to expand the farming area to satisfy 70 percent of its demand for raw fish for its processing plants. In 2007, the company started to develop the Green Farming Pangasius programme based on the international Aquagap standards. The programme targets environmental protection as well as the healthiness of fish in order to ensure food safety farming without antibiotics. The programme also includes community development activities and improvement of the work and living conditions of workers.

For the implementation of the green farm programme, Vien Hoan is working in conjunction with research institutions in order to push vaccination of their pangasius fish down to 0 percent. The company supports research on the selection of disease-resistant fingerlings, probiotics to treat water and strengthen fish health, and farming organic fish in ponds. After the company gained the AquaGAP certificate, the company wants to move on to improve their systems, products and services to live up to other international standards on safe farming such as GlobalGAP and organic fish farming norms and standards.

Source: [aquaculture-notes.blogspot.com/2009/10/pangasius.html](http://aquaculture-notes.blogspot.com/2009/10/pangasius.html)

## ADDITIONAL USEFUL RESOURCES RELATED TO ENVIRONMENT IN VIETNAM:

- MONRE <http://www.monre.gov.vn/monreNet/Default.aspx?tabid=231>
- International Council of Mining and Metals Environmental Resources: <http://www.icmm.com/our-work/work-programs/environment>
- International Petroleum Industry Environmental Conservation Association <http://www.iecea.org/>
- World Bank Resources on the Extractive Industries <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20220969~menuPK:509392~pagePK:148956~piPK:216618~theSitePK:336930~isCURL:Y,00.html>
- Environmental excellence in exploration guidelines <http://pdac.ca/e3plus/>
- International Gas Union Sustainable Development Guidelines <http://www.igu.org/about-igu/guiding-principles-for-sustainable-development>
- Integrated Biodiversity Assessment Tool for Business <http://www.ibatforbusiness.org/>





# Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

The 10th principle of the Global Compact relates to anti-corruption.

There are about 970 legal documents relating to anti-corruption in Vietnam. The main legal documents are the Anti-corruption Law dated 29/11/2005, and then the Amended Anti-corruption Law dated 17/8/2007. The Law has specified a number of issues related to corruption and sanctions or punishments on corrupted behaviours. To assist the implementation of the corruption Law, the government issued the Decree of government No. 120/2006/ND-CP dated 20/10/2006 to detail regulations and guidance about implementing anti-corruption law, and then the Decree No. 47/2007/ND-CP dated 27/03/2007 to detail regulations and guidance for implementing some articles of anti-

corruption law such as roles and responsibilities of the society. A number of legal documents were also issued relating to the establishment of different anti-corruption units/committees at different level, disclosure of officials' assets and income, and the like. Anti-corruption laws, regulations, strategies, and other documents are increasing. Yet the remaining challenge for the government is to implement these regulations in reality.

Although anti-corruption efforts have resulted in progress in the fight against corruption, Deputy Prime Minister Truong Vinh Trong warned in an Anti-corruption conference in 2009 that corruption remains grave and is becoming more sophisticated<sup>12</sup>. Vietnam placed relatively poorly in Transparency International's

<sup>12</sup> Trong made the statement at a conference held to review co-ordination efforts between the Central Steering Committee on Anti-Corruption, the Viet Nam Fatherland Front Central Committee and other member organisations regarding activities in the fight against corruption in Ha Noi in December 2009. URL: <http://english.vietnamnet.vn/politics/200912/More-effort-urged-to-stamp-out-corruption-886773/>



# Anti-Corruption



Corruption Perceptions Index. Vietnam was ranked at 120th place among the 180 countries surveyed in 2009<sup>13</sup>.

Facilitation payments are common in Vietnam and “smooth” day to day business practices. With a slow and bureaucratic system for business to operate in, together with a low pay scale for civil servants, some argue that certain forms of corruption may even be considered necessary. A common practice may be a facilitation payment or a gift for a local official who works for a company to get something done. There is a high level of social tolerance regarding corruption.

For extractive companies engaged in any infrastructure development or construction there are more severe risks. Although Vietnam has a tender law, the implementation of the law depends a lot on who is managing the tender process. Real bidders can bring in fake bidders to make the tender process look lawful but who are manipulated by the real bidders.

Companies we interviewed for the research recognise the risk of corruption in Vietnam and some note that they have internal controls and systems to keep it in check. Multinational companies referred to their own anti-corruption policies and employee codes of conduct

along with global pressures such as the US Foreign Corrupt Practices Act.

## COMPANIES WHO WANT TO BE A LEADER IN THIS AREA SHOULD:

- **Risk assessment:** Regularly examine and assess your company’s exposure to corruption risks and identify factors that might favour corruption. Develop an anti corruption policy which defines corruption and states your company’s position.
- Have a clear **code of conduct** for all staff on bribery and corruption.
- Audit and **enforce the code of conduct**.
- Educate and **build capacity** amongst employees, supply chain partners and customers on how to deal with bribery and corruption and develop guidelines on company’s approach towards gifts.
- **Engage communities** in monitoring and encourage transparency. Various companies we spoke to said that this was an important part of their anti-corruption strategy. By including less powerful stakeholders and community representatives as part of their monitoring and engagement processes, they can often learn more about the real situation on the ground. In some of the recent wastewater incidents in Vietnam investor companies noted that if they had asked those living around the site they may have been

able to get a clearer perspective on the situation.

- **Consider introducing whistle-blowing measures** that allow employees to raise concerns related to corruption, fraud and other misconduct and that

**The Extractive Industries Transparency Initiative** seeks to end corrupt practices by compelling governments and companies to disclose payments made and received with respect to extractive industry development.

Initiatives like Extractive Industries Transparency Initiative (EITI) supports good governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining. Talisman, a Canadian listed oil company, was the first Canadian company to support the Extractive Industries Transparency Initiative. Since 2000, the company releases their annual Corporate Social Responsibility report, proving a breakdown of country or regional fiscal contributions for royalties, taxes and material payments to host governments such as the Vietnamese government. In 2005, Talisman officially confirmed their commitment to the principles of the EITI, and has kept itself in the forefront to promote transparency and accountability in the extractive industries in Vietnam.

Source: [www.talisman.com](http://www.talisman.com)

<sup>13</sup> Transparency International. URL: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009)

# Anti-Corruption

assure that persons who disclose such information will be protected from retaliation.

- **Support broader initiatives** in Vietnam to fight corruption.
- **Measuring and reporting progress:** Report and measure progress on anti-corruption. At a minimum report on your policy and code of conduct and how you implement these as well as on actions taken in response to incidents of corruption.

## WHAT IS BRIBERY?

Expectations of when a monetary transaction is appropriate can differ from place to place. What one person from one culture may see as a 'bribe' may be deemed as a 'gift' and as part of the local culture to someone else. A bribe differs from a gift in that its intention is to alter someone's behaviour. It could be money,

jewellery or watches, vacations, or any number of things. Stakeholders in Vietnam have also mentioned that it can take place after a business transaction. The two parties have a shared understanding that there will be a transfer but that this will not happen until after the business transaction to keep the transaction 'clean'. Some people estimate that gifts and facilitation payments can take about 10 percent of company annual operating budgets in Vietnam.

## WHAT'S WRONG WITH CORRUPTION?

Corruption is often at the root of poor social and environmental performance. Without good governance we cannot achieve other goals. Corruption essentially can deprive communities of much needed resources. It keeps poor people poor.

### Case study 10: Give the gift of education

One international oil and gas company operating in Vietnam has a simple but effective way to manage the tension between the culture of gift giving at Tet (lunar new year) and their internal policies on gifts. As opposed to giving gifts to local government officials or business partners the company sends out a card noting that in lieu of gifts they are supporting a scholarship programme for local students.

Source: Notes from Focus Group Meeting



## WHY BOTHER<sup>14</sup>? THE BUSINESS CASE FOR ANTI-CORRUPTION

- Legal risks to the company and its own staff
- Reputational risks associated with becoming known as a payer or receiver of bribes
- Financial costs involved in paying bribes
- Being 'known as clean' dissuades opportunist corruption
- Blackmail, and security risks associated with staff involved in corruption
- Good companies have an interest in sustainable social, economic and environmental development

### Case study 11: Kinh Do

Kinh Do is famous cake brand. In the North of Vietnam the company employs 2200 people of which 1200 are direct labours, 600 are salespeople, and the rest are support staff and management. Kinh Do has tried several measures to tackle corruption in their business activities:

- Each contract has an article related to anti-corruption or anti-irregularities
- Clear and detailed policies on "subtle"-corruption behaviours have been formulated
  - for example, if a supplier gives the staff in charge of business transaction a gift (personal), the staff has to report the incident
- The internal audit committee closely monitors any irregularities in business transactions (one of the BoD members is in charge of price monitoring)
- Anti-corruption behaviours are accounted for in the performance appraisal policies
- New recruits attend an orientation briefings during which company values – including anti-corruption related values and expected behaviours – are introduced

According to Mr. Viet, the CEO of Kinh Do, these practices are being conducted for three reasons: i) It is good for the company to improve and keep its reputation and trust to the society, which is essential in business now. ii) Staff gain a real sense of the company's transparency policies and monitoring practices, which prevents internal fraud. lii) Operational cost is being minimized.

Source: Notes from Interviews

<sup>14</sup> <http://www.globalcompact.org.ua/businesscase/anticorruption>



# Anti-Corruption

## Case study 12: Engaging communities, ward leaders and media in transparency to fight corruption

The following is an excerpt from an interview with the Chairman of a leading Vietnamese construction company discussing the links between corruption and bureaucracy and how community engagement and transparency can help to address this.

*"Bureaucracy in construction is the worst. There are too many sub-licenses. An investor has to go through many steps. These are opportunities for red tape and corruption. However, in my opinion, waste is much more of a problem than corruption. We lost a lot of time going through meaningless bureaucratic steps. We may need 3 years just to get the land for a construction project. During that time, policies change regarding land clearance and many other government levels are involved. (...) Public administration reform is a hot issue right now. For us, the involvement of the community in monitoring is important. People, if seeing problems, can report. Media and ward leaders can also report. (...) We need to have more transparency, clear and simple procedures and this could help with many of the problems related to sustainable business".*

Source: Notes from Interviews

## ADDITIONAL USEFUL RESOURCES RELATED TO ANTI-CORRUPTION

Fighting Corruption in Vietnam: a practical handbook for project managers, line ministries and donors

<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN005937.pdf>

Transparency International Corruption Perception Index

[http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009)

Global Infrastructure Anti-Corruption Centre <http://www.giacentre.org/>

Anti Corruption Training Manual

[http://www.giacentre.org/corporate\\_training.php](http://www.giacentre.org/corporate_training.php)

Business anti-corruption portal <http://www.business-anti-corruption.com/>

OECD convention on bribery

[http://www.oecd.org/document/21/0,3343,en\\_2649\\_34859\\_2017813\\_1\\_1\\_1\\_37447,00.html#text](http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_37447,00.html#text)

United Nations Convention Against Corruption

<http://www.unodc.org/unodc/en/treaties/CAC/index.html#textofthe>





# Communication on progress

Business participants are required to annually submit Communication on Progress (COP) on the UN Global Compact website and to share the COP widely with their stakeholders. The UN Global compact considers the COP an important demonstration of a participant's commitment to the UN Global compact and on progress made in implementing the ten principles as well as in supporting broad UN development goals (as expressed in the second objective of the UN Global Compact).

One of the explicit commitments that a company makes when it joins the UN Global Compact is to produce an annual Communication on Progress (COP).

As such, business participants that have been “non-communicating” for one year or more will be delisted and removed from the UN Global Compact website. During the first five years of participation, each COP must address at least two of the UN Global Compact’s four principle issue areas, while all four must be addressed after five years.

Business participants who joined on or after 1 July 2009 are given one year from the date of joining to prepare and submit their first COP. Participants that have joined before 1 July 2009 still have two years to submit their first COP.

While the format for a COP is flexible, it must contain three important elements:

- A statement by the CEO (or equivalent) expressing continued support for the Global Compact and renewing the participant's ongoing commitment to the initiative and its principles;
- A description of practical actions (i.e., activities and, if applicable, policies) the company has taken to implement the Global Compact principles and to support broader development goals. During the first five years of participation, a COP

must address at least two of the Global Compact's principle issue areas (human rights, labour, environment, anti-corruption), while all four must be addressed after five years;

- A measurement of outcomes (i.e., identify targets, define performance indicators, or measure outcomes)

The COP is a requirement of participation that serves several important purposes:

- to instil accountability;
- to drive continuous improvement;
- to safeguard the integrity of the UN Global Compact as a whole;
- and to contribute to the development of a repository of corporate practices.

In recent years, an increasing number of companies – both large and small – have developed corporate social responsibility (CSR) or sustainability reports to communicate accountability and transparency towards their stakeholders (e.g., investors, consumers, civil society, governments, etc.). Simply put, Corporate Sustainability or CSR Reports contain a company’s commitments and policies around corporate governance, labour, environmental, social and human rights issues or any other issues that are of importance to a company’s stakeholders. Making commitments and reporting on progress towards achieving those commitments or policies is critical in order for a company to be able to measure its performance and be accountable to its stakeholders.

The Reporting Framework of the Global Reporting Initiative has developed to the most acknowledged and widely used framework for CSR and sustainability reporting. It sets out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance.

Additional Useful Resources related to reporting on progress:

The Global Compact Office and local networks have developed tools and guidance to assist participants of all sizes in the process of preparing a COP. Key information sources provided on the UN Global Compact website include:

- Policy on COP (pdf) - Updated April 2009
- Preparing a COP: COP practical guide (pdf)
- Submitting a COP: a step-by-step guide (pdf)

Other useful resources on sustainability or CSR reporting are:

- Reporting Framework of the Global Reporting Initiative (GRI): <http://www.globalreporting.org/ReportingFramework/>







# A Self-Assessment Tool

Sustainable development is a long term goal. No matter where your company is on the journey towards more sustainable business practices there are important steps you can take. The Global Compact principles will help companies to embark on this journey or reflect on where they are.

## WHY?

Companies have indicated to the Global Compact Network Vietnam that practical tools would be useful which are based on a sector specific understanding of the drivers and barriers for responsible business practices. Some stakeholders have pointed out that they only expect companies to 'obey the law' but as the country continues to update and revise the regulatory environment for business there are many areas left open for interpretation. By looking to local and global best practices for responsible business companies can seek to be in compliance with the law and go beyond this in contributing to sustainable development in Vietnam via the implementation of the Global Compact principles.

## HOW CAN IT BENEFIT MY BUSINESS?

Integrating the principles of the Global Compact into your company's management can help your business in many ways. It can help companies manage relations with employees and increase employee motivation and morale. As global financiers are increasingly concerned with environmental, social and governance (ESG) related issues it can increase access to finance. A reputation takes a long time to build up but can be destroyed very quickly. If a company has a commitment to sustainable development and to local communities as part of its values, it may be looking at how to bring these values to life throughout operations in Vietnam.

## WHO IS IT FOR?

This self-assessment tool will be most relevant for someone who has been tasked to implement / manage responsible business practices. This could be a smaller local

or regional company, staff of a larger multinational company who may have their own tools but need Vietnam specific information or Vietnamese companies who are looking to improve their performance.

## STAKEHOLDER ENGAGEMENT:

Your journey towards more sustainable business practices requires you to engage with stakeholders. These could be internal stakeholders such as employees or external stakeholders such as government, investors, customers, suppliers and communities surrounding operations. Simply put, stakeholders are individuals or groups that are affected, or likely to be affected, by an organisation. Sustainable business practices will look differently in different places and different contexts. Identifying what is most important for your company requires effective stakeholder engagement and identifying issues that concern your stakeholders.

## HOW DO I KNOW WHAT IS IMPORTANT? WHAT'S MATERIALITY?

Simply put, materiality means what is most important to your business. What issues can cause the most risk and harm to your business and what issues have the potential to bring the most benefit? We all know that good business is about managing risks and opportunities. We need to include the social and environmental risks and opportunities as these ultimately affect the financial returns. A material issue is an issue that could cause your company to gain or lose.



## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
Leadership	Our senior management have identified some CSR related activities that we should be involved in	We have a designated person in charge of CSR	Our company has appointed a Board Director to oversee responsible business practices
	We ensure we are informed of all legal obligations	In addition to national compliance, strive to respect international norms of behaviour that are embedded in international conventions, treaties and declarations.	The vision and values of our company reflect our commitment to sustainable development
	We have started working on one principle of the Global Compact which is most significant to us	We are examining our corporate visions and mission to incorporate sustainable development	We are a signatory or involved in global CSR framework (this could be the UNGC or, specifically for mining the ICMIM) or other local or regional CSR networks
	We recognise that we need a team of people to engage with CSR and a designated person in charge of CSR		We have identified internal leaders or 'champions' to work on the ten principles of the Global Compact and they meet regularly as a team
	We are working towards increased commitment from our CEO and no board level commitment		

## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
Aims and Objectives	We are beginning to develop aims and objectives that go beyond compliance and which can demonstrate our commitment to sustainable development.	We have specific aims and objectives covering at least the two areas of the Global Compact that are most important/material to your business.	We have detailed aims and objectives, revisited periodically, that guide our social responsibility programmes and practices.
	We have identified the areas of the Global Compact that are most important / material to our business	We have published those aims and objectives and will review them and communicate on progress periodically.	We have developed a sustainable development strategy for our organisation that clearly sets out who is responsible for delivering specific aims and objectives.
	Our aims and objectives are focussed on the issues that are most important/material to our business.		Our aims and objectives are linked to the performance assessment of senior management and those tasked with implementing them.
Stakeholder Engagement	We have identified our stakeholders. We know who they are.	We have started engaging with our prioritised stakeholders on sustainability issues.	We have established a two-way communication process with key stakeholder groups. We have ongoing two-way communications with our key stakeholders.
	We are conscious of and respect the interests and needs of our stakeholders	We have started interviews and focus groups with key stakeholders relating to the Global Compact principles	We have a systematic approach to stakeholder engagement. We have a stakeholder engagement strategy.
	We engage with regulators		We have grievance mechanisms in place so that stakeholders can raise issues and make complaints.



## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
Resources	We have identified the resources that we need (time, money, consultancy and technical services) to begin to implement systems and programmes to develop at least one area of the Global Compact	<p>We have sufficient resources to support a designated CSR manager and programmes in two areas of the Global Compact</p> <p>Our senior management recognise that the resources allocated to our initiatives are part of an investment in our long terms brand and reputation</p>	We have a long term resource commitment from our senior management to ensure that we can continuously improve on our social responsibility over time.
Management Systems and Policy	<p>We have general workplace policies on labour, health and safety, environmental management, human rights and community involvement</p> <p>We recognise the need to internalise these policies through awareness raising, training, capacity building and monitoring.</p>	<p>We have specific policies and codes of conduct for managers and workers in at least two of the areas of the Global Compact (e.g. labour issues and anti-corruption).</p> <p>We have made a public commitment to working towards the full implementation of the Global Compact and contributing to the sustainable development of Vietnam</p> <p>We have started work on developing the systems that will be required to embed principles of the Global Compact</p>	<p>We have detailed policies and codes of conduct in place that outline our commitment and strategy for:</p> <ul style="list-style-type: none"> <li>• Good labour practices</li> <li>• Health and safety</li> <li>• Environmental protection</li> <li>• Human rights</li> <li>• Anti corruption</li> <li>• Community involvement and development</li> </ul> <p>We have created a system of economic and non economic incentives related to performance to social responsibility</p>

## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
Programmes and Practices	<p>We try hard to ensure that our relationships and activities fall within the legal framework.</p> <p>We are working toward clarifying what compliance means to us in identified 'grey' areas.</p> <p>We have begun developing a programme in at least one area of the Global Compact.</p>	<p>We have programmes to ensure we uphold the principles of the Global Compact in at least two areas.</p> <p>We have begun to integrate policies, programmes and practices into our supply chains</p> <p>We try to avoid being complicit in another organisations activities that fail to meet international norms of behaviour.</p>	<p>We take a systems based approach to our social responsibility and have embedded the ten principles of the Global compact into our management systems.</p> <p>We are part of a broader industry network to promote the principles of the Global Compact and sustainable development, more broadly.</p> <p>We have specific programmes and practices in place covering all ten principles of the Global Compact that demonstrate how we deliver on our promises.</p> <p>We engage stakeholders in all these practices and take a lead within the industry.</p>
Capacity Building	<p>We have undertaken an internal gap analysis to identify the areas of the Global Compact where we need to develop capacity.</p> <p>We are putting plans in place to roll out</p>	<p>We are carrying out training and capacity building activities internally with our staff.</p> <p>We have identified specific champions and leaders internally to</p>	Our staff are aware of the importance of social responsibility and receive ongoing training to ensure that they are aware of all the issues linked to the Global Compact, our own aims and objectives and the means by which we aims to meet our commitments.

## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
	training programme to key personnel within the organisation	lead work in terms of labour issues, environmental management, health and safety, or anti-corruption	
	We have identified possible external expertise and consultants that can help us with capacity building	We are beginning to identify possible external partners with suitable capacity who we can work with to deliver on our objectives	We are working with business partners and other stakeholders to build capacity to meet our own sustainability objectives and develop broader strategies to contribute to the sustainable development of Vietnam
Engagement, Consultation and Partnerships	We are conscious of and respect the interests and needs of its stakeholders	We have begun to engage partners in order to involve them in our programmes where they can help us make progress on CSR related goals and the development of communities around us.	We have joint partnerships and programmes in place and can demonstrate the impact of these programmes both internally and externally
	We have identified potential partners to work with on CSR issues		We are part of networks of businesses and other stakeholders prompting the Global Compact principles and sustainable development, more broadly
Measurement	We are aware of the most significant impacts of our business on society and on the environment and we have in place plans to begin to measure those	We have identified the most material impacts of our activities through our own assessments and those of our stakeholders.	We have begun systematic (quantitative and qualitative) measurement of our impacts in all four areas of the Global Compact.

## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
	impacts (positive and negative) in a more systematic way in the future.		
		We are starting to measure some aspects of our social and environmental footprint.	Our measurement strategy is based on key performance indicators in place in relation to our aims and objectives.  We have a system for measuring the impact of programmes and longer term strategies to understand the value for business and the value for society.
Communications / Reporting	We have some information on our website about the significant impacts of our activities and some policies linked to those.	Our communications function is aware of the need to communicate balanced and timely information about of social responsibility.	We have developed a communications strategy for our socially responsibility that demonstrates our ongoing commitment to sustainable development.
		We have a section of our Annual Report which reports on environmental or social performance.	We have complete disclosure of our most significant social and environmental impacts and are reporting on this.
			We communicate internally and externally about our performance and involve our stakeholders in that process



## SELF ASSESSMENT

Companies that we have spoken to have asked for support in helping them to identify what a responsible business would look like. We have drafted the following checklist to help companies on this journey

Issue	Beginner	Achiever	Leader
Third Party Assurance	We recognise the benefits that outside assurance of our CSR can bring us in the future once we have developed meaningful policies, programmes and strategies.	We seek external assurance for our programmes, initiatives and communications through our stakeholders and the provision of third party opinions	We communicate regularly and appropriately in Vietnam with the aim to raise awareness about our own activities and the importance of sustainable development more broadly.  We have formal third party assurance for our social, governance and environmental performance



# Sector Supplement #1

## The Extractive Industries

### INTRODUCTION TO THE INDUSTRY

The extractive industries in Vietnam play a key role in the country's economic growth. Crude oil accounts for almost 18 percent of Vietnam's exports and is a significant source of revenue for the country. The country has significant coal and other mineral reserves and mining has contributed to nearly 10 percent of GDP (based on 2007 data). The sector is dominated by State Owned Enterprises but more and more small operations have also started up and foreign investment has increased over the years.

PetroVietnam is Vietnam's National Oil and Gas Group and has over 60 production sharing contracts with more than 50 international oil and gas companies, accounting for billions of dollars of investment.<sup>15</sup> The Vietnam Coal Corporation (Vinacoal), the merger of all Vietnamese coal exploitation and processing companies, has to date become Vietnam's leading economic group. Vinacomin, the Vietnam National Coal and Mineral Industries Group, is another major industrial conglomerate focusing on coal and minerals mining<sup>16</sup>. The corporations manage investments, exploration, processing and business activities of ore, including one of the world's largest bauxite aluminium mines in the Central Highlands of Vietnam. Vinacoal's development strategy (2010) outlines a focus on numerous large-scale projects in exploiting coal mines, producing equipment, exploiting and processing bauxite, and increasing foreign investment.<sup>17</sup>

<sup>15</sup> Source: 12th Vietnam OGP (Oil Gas & Power). URL: <http://www.cmtevents.com/eventposts.aspx?feedid=377&ev=091040&>

<sup>16</sup> Vinacomin was created by the merger of the Vietnam Coal Corporation (Vinacoal) and Vietnam Minerals Corporation.

<sup>17</sup> Vinacoal, source URL: (Source: URL <http://www.vinacoaltour.com.vn/english/default.asp?tabid=63&newskind=2&inews=41>)

According to MONRE, from 1996 to 2009, the number of registered extractive entities increased from 427 to 1300, of which about 1200 are small entities who extract mostly normal construction resources. Investment from different sectors, including households, as well as output and employment have also reportedly increased.

## KEY LEGISLATION

Vietnam is developing and amending guidelines, policies and regulations to enhance transparency and good business practices in the extractive industries. These include revisions of mining laws, and laws and regulations affecting commercial activity and judicial procedures in the oil and gas industry.

Vietnam's Seventh Power Development Master Plan and the Master Plan for the Coal Industry, both due in 2011, will outline a comprehensive long-term development strategy, a road map for the coming ten years and guidance for the development of the country's extractive industries. It is expected that the plan will map out a strategy for creating transparent and competitive power retail market and attract further investments.<sup>18</sup> So far, the biggest boost for the opening of the extractive industries sector came with the amendment of the Petroleum Law in 2000, which made licensing schemes and processes more transparent for international investors who aim to engage in exploration and production projects.<sup>19</sup>

The current Mineral Law (Mining Law), promulgated in 1996 and revisited in 2005, will again be revised by the National Assembly in 2010.<sup>20</sup> The new law will provide the basis for Vietnam's Mineral Master Plan clarifying the allocation of licensing authority for mineral related projects between the Central Government and the Local Government.

In 2005, the National Assembly passed the Law on Corruption Prevention and Control for all Vietnamese industries.<sup>21</sup> A central anti-corruption steering committee was established in 2006, comprising of representatives from the government, the National Assembly, state procurator, courts and police.

<sup>18</sup> Source: <http://www.prlog.org/10343821-vietnamese-oil-gas-exploration-production-and-power-stakeholders-share-updates-at-12th-vogp.pdf>

<sup>19</sup> Revised Vietnamese Petroleum Law at [www.mof.gov.vn/Modules/DeedDownloadE.aspx?DeedID=66746](http://www.mof.gov.vn/Modules/DeedDownloadE.aspx?DeedID=66746), [http://www.zeuslibrary.com/LNG/Regulatory/PDF/Petroleum\\_Law\\_2000.pdf](http://www.zeuslibrary.com/LNG/Regulatory/PDF/Petroleum_Law_2000.pdf) (this version highlights the amendments)

<sup>20</sup> BMI Oil and Gas Report 2009

<sup>21</sup> APEC: Recent Progress of Anti-Corruption Work of Viet Nam in 2007. URL: [http://aimp.apec.org/Documents/2008/ACT/ACT1/08\\_act1\\_024.doc](http://aimp.apec.org/Documents/2008/ACT/ACT1/08_act1_024.doc)

In total, there are (as of February 2010) 3712 legal documents relating to the extraction industry. Recent documents (since 1996) can be categorized as shown in Table 2 below.

Table 2: Legal documents by issuers

Level	Nature of the document	Number
Parliament	Mineral Resource Law (1996)	1
Prime Minister	Amended Mineral Resource Law (2005)	9
Ministries	Decision and Instruction	47
Provinces	Various documents	More than 600





**KEY CHALLENGES WITH LEGAL COMPLIANCE AND ENFORCEMENT:**

- *General nature of articles.* Many of the articles are not clear and specific and the implementation guidelines (which follow government decisions) are sometimes very slow, differing and misunderstood. For example, According to the Article No. 6 – “Mineral Resource Law and the Investment Law”, the government should regulate the financial, technological and other conditions for those working on mineral resources. However, there is no clear definition or instructions on how to evaluate these conditions.
- *Lack of transparency in the legal system.* For example, Article No. 6 of the Mineral Resource Law regulates that organizations/individuals working on mineral resources should have conditions decided by the government. However, the concept of being accepted to “operate in mineral resources”, “invest in mineral resources”, and “being given the operation certificates in mineral resources” are not clearly defined. A number of conflicts between some of these documents, and even between articles in one document were reported.
- Responsibilities of related governmental entities (ministries, provinces) are not clearly defined. The Ministries of Natural Resource and Environment (MONRE), Construction, and Industry and Commerce are the ministries most closely connected to extractive activities. Currently, the lines between these Ministries’ responsibilities are based partly on the use of the resources (e.g. for construction), yet many resources can be used for different purposes. Thus, one of the pertinent problems relates to the surveying, exploiting, and planning of natural resources which is fragmented, as illustrated in box A below.

**Box A: Illustration: Overlap of governmental responsibilities among different entities**

According to item No. 2 – Article No. 55, MONRE (Ministry of Natural Resources and the Environment) is in charge of mineral resources in the whole country.

According to item No. 3 – Article No. 55, the Ministry of Commerce and Industry is responsible for managing the exploitation and processing of mineral resources – except mineral resources for constructions.

According to item No. 5 – Article No. 55, the Ministry of Construction manages the exploitation and processing industries of mineral resources for constructions and cement. However, many types of mineral resources could be used for different industries and very difficult to separate. For example, caolin, feldspar, granite could be used for constructions and chemical industries. This also creates problems in making plans for surveying, exploiting and processing the mineral resources according to item No. b and c – Article No. 3b of the Amended Law.

In recent years, the provincial committees have been empowered to make decisions regarding investments and operations in their provinces. According to the Amended Natural Resources and Mining Law (2005), provincial committees can issue licenses for extracting normal construction resources that are surveyed and do not belong to the national exploration plans. This is affected by the high number of legal documents, number of extractive entities, growth of outputs, and also complexities in governmental management of the extractive industry.



This empowerment of provinces in managing extractive industries has resulted in a high growth of enterprises. On the other hand, governmental management of the extractive industry has become complicated and a number of issues (particularly those related to Global Compact Principles) have not been well managed. Specifically:

- Provincial committees face challenges estimating the scale of mines to enable them to know if they can issue licenses in accordance with the law. Provinces do not have the right to conduct surveys, and the existing databases are not indicative enough<sup>22</sup>
- Growth of small scale mines. Illegal extractive activities have been reported frequently on both MONRE’s website and within the media. To date, there is no formal statistics on these illegal activities. The vast number of extractive entities also creates a challenge for ministerial and provincial officials to monitor.
- The increase in number of entities and outputs have not been matched with corresponding levels of investment. Most new and small entities use low technology and do not strictly follow environmental and health and safety regulations.

Given this complex operating environment, companies can be encouraged to adopt best practices in managing environmental, social and governance related issues to help manage

<sup>22</sup> (See, for example: Hoang Thao Nguyen, <http://www.monre.gov.vn>, 16:29 13/08/2007). In this case, subjective judgments are inevitable.

## GLOBAL COMPACT ISSUES FOR THE INDUSTRY

### HUMAN RIGHTS AND LABOUR ISSUES

The most pressing human rights related issues link back to providing safe working conditions for miners. Other human rights related issues relate to land rights (when mines are established) and cultural heritage issues for indigenous populations (particularly in the Vietnamese highlands). Some issues link to indigenous populations and how communities on shore who are located in close proximity to off shore discoveries will benefit from the oil.

According to most recent figures, roughly 1.7 million people work in the mining and quarrying industries in Vietnam. Working conditions remain a key concern for the mining industry. Although investment on labour safety has been increasing, accidents in mining still continue to occur. Health and Safety is a big issue but it is not specified explicitly in relation to the Global Compact. Small entities and illegal mining activities were reported by the media as the main sources of accidents. Miners do not generally enjoy safe working conditions. Labour accidents and occupational diseases run at high levels in this sector and, while the breaking of labour regulations may be widespread, investigation and supervision is inadequate<sup>23</sup>. The situation for illegal mines is worse. The use of low, mechanical technology for deeper mining is also an important cause of accidents. According to a research carried out by the Ministry of Labour, War Invalids and Social Affairs, people working in the oil and gas industry are better off in terms of remuneration.<sup>24</sup>

If extractive companies are making use of private security forces then they should adhere to the Voluntary Principles on Security and Human Rights which could help them to manage any risk in this area. Companies can include the principles in contractual provisions in agreements, consult and monitor security providers and make sure any security is locally relevant.

### ENVIRONMENT

Recent events helped to highlight some of the issues related to the extractive industries. In 2007, an oil spill washed ashore along the central coast near Danang

<sup>23</sup> <http://www.monre.gov.vn>

<sup>24</sup> LookatVietnam web page. URL: <http://www.lookatvietnam.com/2009/12/aviation-oil-and-gas-workers-earn-highest-salaries.html>

(including the UNESCO heritage site of Hoi An) with spills affecting 20 provinces damaging the environment and wreaking havoc in fishing communities. The spills which were originally deemed to be from outside of Vietnam but conclusions were unclear and may have also come from oil rigs within the borders of the country. In 2009 there was a lot of public attention on the risks associated with Bauxite mining in the Central Highlands – an area known for its cultural and biological diversity but which also contains one of the world's largest reserves of Bauxite which is used in the production of Aluminium.

Mining can cause environmental issues ranging from waste rock and tailing disposal, land disturbance, dust, noise, water use and air pollution. If not managed well, any of these could adversely affect the health and livelihood of poor and vulnerable groups living near mining operations. The first step to mitigate such risks is to engage relevant communities and groups through information and education, while using the legal and regulatory framework. There is also a role for agreements between the mining company and regulators to establish appropriate environmental performance standards and acceptable working conditions. Key to mitigating environmental risks is setting and monitoring appropriate standards.<sup>25</sup>

In Vietnam, the law requires entities to submit environmental impact evaluations when applying for extractive licenses. Furthermore, Decree 77/2007/ND-CP

<sup>25</sup> World Bank, mining and environment  
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20220969~menuPK:509392~pagePK:148956~piPK:216618~theSitePK:336930~isCURL:Y,00.html>





(10/5/2007) lists a number of requirements for extractive entities to protect the environment. However, following the law has been recognised as major problem. Many extractive entities did not strictly follow the requirements on environment protection. MONRE's research (2009) shows that many extractive entities did not sign the environment protection fund or sign land lease contracts as required by law. The extractive industry has been reported as responsible for sources of different types of pollution, including air pollution, land erosion, landscape damage, loss of biodiversity and water pollution.

#### ANTI-CORRUPTION

Vietnam is a country rich in oil, gas and minerals, and their exploitation generates large revenues which can be used to foster growth and poverty alleviation. Government and business transparency and accountability are essential to prevent corruption in the extractive industries, so that the country's natural resources can benefit all people in Vietnam. In 2009, Vietnam's government benefited immensely from the oil and gas sector's revenues, which contributed 15% to GDP, and added over 4.7 billion US\$ (VND 91 trillion) to the State budget. Total revenue reached over US\$13.8 billion (VND 264 trillion), a 25% rise as against the 2009 plan. Revenues in 2010 are expected to be even higher, due to major changes in regard to taxes and royalties that the government plans to introduce. It is estimated that the new tax system will raise the state budget from the royalties of other natural resources from \$56.2 million to \$181.6 million.<sup>26</sup> Given this considerable source of revenues from the extractive industries, good governance and good business practices become even more vital to ensure that the benefits of the oil and gas profits will also benefit the Vietnamese people.

The extractive industries are historically not well known for their transparency and concerns over corruption in the industries were raised by stakeholders who were consulted as the first step in the GCNV research. This is not just an issue in Vietnam but globally. However, in Vietnam there have been some recent events which brought the issue of corruption to public attention.

<sup>26</sup> Vietnam Investment Review. URL: <http://www.vir.com.vn/Client/VIR/index.asp?url=content.asp&doc=19671>, Vietnam Association for Conservation of Nature and Environment (VACNE). URL: <http://vacne.org.vn/en/default.aspx?newsid=642>  
[http://www.talisman-energy.com/cr\\_online/2005/econ-transparency.html](http://www.talisman-energy.com/cr_online/2005/econ-transparency.html)

## SOLUTIONS AND RECOMMENDATIONS

The main body of the GCNV 'Guide to the Global Compact Principles in Vietnam' provides an overall framework for companies to make business decisions aligned with to what extent they want to be a 'beginner', 'achiever' or 'leader' in sustainable development (see page 29 for the Self-Assessment Tool). In the Labour, Human Rights, Environment and Anti-Corruption Sections of this Guide, there are more details on the practical steps that businesses can take in each of the four areas of the Global Compact to achieve results.

## ADDITIONAL LINKS AND SOURCES OF INFORMATION RELEVANT FOR EXTRACTIVE INDUSTRIES

Links to Vietnam legal documents:

Mining Law:

<http://www.nature.org.vn/en/wp-content/uploads/docs/MineralLaw20Mar96.pdf>

Mining Law Amendments:

[http://www.nature.org.vn/en/wp-content/uploads/docs/Mineral\\_Law\\_Amendment\\_062005-en.pdf](http://www.nature.org.vn/en/wp-content/uploads/docs/Mineral_Law_Amendment_062005-en.pdf)

Mineral Law 1996

<http://www.vietnamlaws.com/freelaws/MineralLaw20Mar96%5BX1051%5D.pdf>

Mineral Law Amendment 2005

<http://www.vietnamlaws.com/freelaws/Lw46na14Jun05Mineral%5BX3355%5D.pdf>

Extractive industries Transparency Initiative

<http://www.eitransparency.org/>

#### OTHER NOTEWORTHY RESOURCES:

- **Internationally, the Council on Mining and Metals (ICMM)** provides a rich source of information and practical tools and frameworks for the mining industry<sup>27</sup>. Their good practice information centre has been developed by the ICMM, the United Nations Conference of Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), and the UK Department for International

<sup>27</sup> [www.icmm.com](http://www.icmm.com),

Development (DfID) to provide access to a library of good practice guidelines, standards, case studies, legislation and other relevant material of leading examples. Their database includes documents, such as guidelines on Human Rights in the Mining and Metals Industry, examples for sustainable approaches to Planning the Remediation of Sites Undergoing Decommissioning, Community Engagement in Extractive Projects, toolkits for environmental policies in the mining sector, international conventions concerning Safety and Health in Mines, good governance agendas for the extractive sector, best practices and Reporting Guidelines for Exploration and Mining Companies, and many more.<sup>28</sup> The ICMM has a Sustainable Development Framework comprises three elements – a set of 10 Principles (including a set of supporting position statements), public reporting and independent assurance

- ICCM – Mining SD Code <http://www.icmm.com/our-work/sustainable-development-framework>
- **The International Petroleum Industry Environment Conservation Association** has a wealth of resources on their website to support more sustainable business practices in the oil and gas industry. The International Petroleum Industry Environmental Conservation Association (IPIECA) was established in 1974 following the establishment of the United Nations Environment Programme (UNEP). IPIECA provides one of the industry's principal channels of communication with the United Nations. IPIECA is the single global association representing both the upstream and downstream oil and gas industry on key global environmental and social issues. IPIECA is not a lobbying organisation, but provides a forum for encouraging continuous improvement of industry performance. <http://www.ipieca.org/>
- **One-Stop Shop Network** A key tool in restricting corruption has been the 'One-Stop Shop' (OSS) network, which was set up in 1996. Single agencies deal with applications for a range of activities, including construction permits, certificates, business registrations and approvals for local and foreign investments. <http://www.vpi.pvn.vn/en/>
- **GRI Sector Supplement for Mining and Metals** to support companies in understanding what social, environmental and governance related information they should be reporting. [http://www.globalreporting.org/NR/rdonlyres/25EEF0C7-F050-48CA-9FF5-C79F359D9976/0/SS\\_MiningMetals\\_ENG.pdf](http://www.globalreporting.org/NR/rdonlyres/25EEF0C7-F050-48CA-9FF5-C79F359D9976/0/SS_MiningMetals_ENG.pdf)
- **Equator Principles** While not aimed directly at the mining sector, the banks collectively represent more than 75 percent of all project finance and influence lending in the mining sector. <http://www.equator-principles.com/>
- **The Extractive Industries Transparency Initiative** provides a framework for increased transparency and 'saying what you pay' <http://eitransparency.org/>
- **The Publish What You Pay guidelines** <http://www.publishwhatyoupay.org/>

<sup>28</sup> ICMM, source: URL: <http://www.goodpracticemining.org/>

- **The Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises** [http://www.oecd.org/departement/0,3355,en\\_2649\\_34889\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,3355,en_2649_34889_1_1_1_1_1,00.html)
- **The ILO Tripartite Declaration** <http://actrav.ilo.org/actrav-english/telearn/global/ilo/guide/triparti.htm>
- **The UN Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights** [http://www.unhcr.ch/huridocda/huridoca.nsf/\(Symbol\)/E.CN.4.Sub.2.2003.12.Rev.2.En](http://www.unhcr.ch/huridocda/huridoca.nsf/(Symbol)/E.CN.4.Sub.2.2003.12.Rev.2.En)
- **The OECD Convention Against Bribery of Foreign Public Officials in International Business Transactions** [http://www.oecd.org/document/20/0,3343,en\\_2649\\_34859\\_2017813\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/20/0,3343,en_2649_34859_2017813_1_1_1_1,00.html)
- **The World Bank's environmental and social operational policies and its Pollution Prevention and Abatement Handbook** [http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p\\_ppah/\\$FILE/PPAH.pdf](http://www.ifc.org/ifcext/sustainability.nsf/AttachmentsByTitle/p_ppah/$FILE/PPAH.pdf)
- **Framework for Responsible Mining** [http://www.frameworkforresponsiblemining.org/pubs/Framework\\_20051018.pdf](http://www.frameworkforresponsiblemining.org/pubs/Framework_20051018.pdf)

#### Relevant organisations in Vietnam:

- The Vietnam Petroleum Institute, closely related to PetroVietnam, is the major oil and gas research and training institute, focusing its investigations on prospecting, exploration, production, transportation, storage, distribution to safety and environment, economics and management in these industries. In the recent years its research has spread overseas since PetroVietnam has expanded its operation to other areas worldwide.<sup>29</sup>
- The Research Association Mining and Environment develops and adapt environmental concepts and carries out capacity building for the hard coal mining industry in Vietnam, especially in the fields of environmental planning for a sustainable land use in mining areas, environmental management in the coal mines, stabilization and recultivation of waste rock dump sites: seepage water balance, infiltration of pollutants and dump fires, water management in mining areas, especially treatment of different kinds of waste waters caused during the coal production, and dust monitoring and mitigation in and around the mining. RAME was founded in 2005 by German research institutions.<sup>30</sup>
- Other institutions researching on the extractive industries are the Vietnam Mining and Geology University, Polytechnic Universities of Hanoi, Danang and Ho Chi Minh City, Ho Chi Minh Natural Science University, Industrial Chemistry Institute, Material Institute, and the National Economics Universities.

<sup>29</sup> <http://www.vpi.pvn.vn/en/>

<sup>30</sup> <http://www.rame.vn/>





## Sector Supplement #2

# Food Processing

### INTRODUCTION TO THE INDUSTRY

Vietnam's food processing industry is growing rapidly with an annual growth of 20-30 percent in recent years. Historically this has focussed on exports but as people's household consumption patterns change in Vietnam there is a growing demand in the country for processed meat, fish, vegetables, and other products. In 2008, frozen processed food enjoyed the strongest performance of all packaged food products, aided by the expansion of modern retail outlets which offer freezer facilities. Supermarket chains, such as Maximart and Big C continue their spread to most major cities in Vietnam. According to the RNCOS Processed Food Market in Vietnam Report 2009, the availability of processed and packaged foods will improve as modern food-retailing businesses expand in Vietnam. Other items such as rice, fish, coffee, and tea are significant exports. Vietnam's tea exports in the first 10 months of 2009 increased by 22.3 percent in volume and 14.5 percent in value over the corresponding period last year, according to the Ministry of Agriculture and Rural Development.<sup>31</sup> The integration of Vietnam into the ASEAN free trade zone and WTO has facilitated the export of Vietnam in general and export of agro and seafood products in particular.

2009 saw major announcements and declarations for the food processing sector. Vissan Limited Company, a member Company of the Saigon Trading Group, announced plans to develop a food processing complex worth 39 million USD in the southern province of Long An. The complex is scheduled to be operational in

<sup>31</sup> Ministry of Agriculture and Rural Development web page. URL: [www.xttnnew.agroviet.gov.vn/TestE/partnership/commodities/default\\_tea.asp](http://www.xttnnew.agroviet.gov.vn/TestE/partnership/commodities/default_tea.asp)



2012, and will be Vietnam's biggest food processing complex by then.<sup>32</sup> In October 2009, Vietnam and Cambodia signed an agreement to form an international food processing joint venture focusing on Cambodian rice shipments. The Southern Food Corporation, one of Vietnam's two biggest state-owned food companies, will be a major stakeholder in this Cambodia-based joint venture.<sup>33</sup>

Vietnam's food processing industry comprises of a few hundred seafood-processing plants, numerous beverage plants, fruit and vegetable-processing plants, plants manufacturers, instant noodles and confectionery manufacturers, and numerous other enterprises processing different kinds of food. The industry remains largely fragmented except for a few key sectors, such as dairy and confectionery, and is dominated by small domestic enterprises. According to the 2009 Business Monitor International (BMI) Food and Beverage Report, this local domination has prevented significant foreign investment in the country's agribusiness and food-processing industries. The same report suggests that lack of investment has hindered the industry from achieving its full potential. International firms still need to form joint ventures with local enterprises in order to operate in Vietnam, which significantly limits their stake in all operations.

## KEY LEGISLATION SPECIFIC TO THE INDUSTRY

Although processing of agricultural, forestry and aquaculture products is a priority industry for Vietnam's socio-economic development strategy until 2020, the development of a comprehensive regulatory framework for the food processing industry still needs to take shape to keep pace with the drastic transformation of the sector. Changes in the legal framework have been slow and in January 2010, that the Vietnam National Assembly Standing Committee rejected the Minister of Health's proposal to set up a National Committee for Food Safety.<sup>34</sup>

According to a study carried out by Russin & Vecchi, a group of international legal counsellors, Vietnamese laws and regulations on food and food processing rely

largely on laws which regulate the quality of goods in general, but not the quality of food in particular. While the Ordinance on the Quality of Goods came out in 1999, the Ordinance on the Hygiene and Safety of Foods was only issued in 2003. This deals specifically with some aspects of food, including food hygiene and safety in production and sale. While these two ordinances gave the Ministry of Science and Technology overall responsibility for the quality of goods, including food, specific responsibility for the hygiene and safety of food is the responsibility of the Ministry of Health.<sup>35</sup>

The Vietnam Food Administration which is a section of the Ministry of Health is responsible for coordinating and updating food laws, food standards and the management, enforcement, monitoring and supervision of food safety laws. Their guidelines and regulations mainly consist of safety and health regulations.

<sup>35</sup> American Chamber in Vietnam web page. URL: [www.amchamvietnam.com/download/1087/L2Rvd25sb2FkLzEwODc=](http://www.amchamvietnam.com/download/1087/L2Rvd25sb2FkLzEwODc=)

<sup>32</sup> Vietnam Business Finance News web page. URL: [www.vnbusinessnews.com/2009/08/vissan-to-build-39mln-usd-food.html](http://www.vnbusinessnews.com/2009/08/vissan-to-build-39mln-usd-food.html)

<sup>33</sup> Thannien News. URL: [www.thanhniennnews.com/business/?catid=2&newsid=52954](http://www.thanhniennnews.com/business/?catid=2&newsid=52954)

<sup>34</sup> Food Safety News web page. URL: [www.foodsafetynews.com/2010/01/vietnam-no-need-for-food-safety-committee/](http://www.foodsafetynews.com/2010/01/vietnam-no-need-for-food-safety-committee/)





### KEY LEGISLATION:

#### Manufacturing and Processing:

- Decision 107 /2008/QĐ-TTg on policies supporting the development of manufacturing and processing vegetable of Government issued on 30 July 2008
- Decision 3649/QĐ-BNN-CLTY on examining chemicals, additives in seafood processing of MARD dated on 19 November 2007
- Circular 59/2009/TT-BNNPTNT of MARD guiding to implement Decision No 107/2008/QĐ-TTg dated 30/7/2008 of government on policies supporting the development of manufacturing and processing vegetable, fruits, tea to 2015, issued on 9/9/2009
- Decision 69/2007/QĐ-TTg of Government to approve the Scheme of development in agricultural and forest product processing to 2010 and orientation in 2020, dated 18/5/2007

#### Quality of standards

- Law on Standards and Technical Specifications 68/2006/QH11 issued on 29 June 2006 of National Assembly
- Law on the Quality of Products and Goods 05/2007/QH12 issued on 21 November 2007 of National assembly
- Decree 188/2007/ND-CP providing the Decree 188/2007/ND-CP providing the Functions, Duties, Authorities and Organization of the MOH issued on 27 December 2007
- Decision 42/2005/QĐ-BYT promulgating Regulations on Announcing Standards of Food Products issued on 8 December 2005 of the MOH
- Circular 21/2007/TT-BKHCHN on the Establishment and Use of Standards
- Of MOST issued on 28 September 2007

#### Safety and Hygiene

- Decision 39/2005/QĐ-BYT promulgating Regulations on General Conditions of Hygiene applicable to Food Processing Establishments of Minister of Health issued on 28 November 2005

#### Labelling

- Decree 89/2006/ND-CP on the Labelling of goods of Government issued on 30 September 2006
- Decision 58/2005/QĐ-BNN on Manufacturing and Trading of Sugar cane and

sugar products of MARD issued on 3 October 2005

- Decision 43/2007/QĐ-BNN promulgating Regulations on Hygiene and Safety of Tea Products of MARD issued on 16 May 2007
- Circular 08/2004/TT-BYT guiding Management of Functional Foods of the MOH issued on 23 August 2004
- Circular 09/2007/TT-BKHCHN guiding a number of Articles of Decree 89/2006/ND-CP of the MOST 6 April 2007
- And there are numerous legal documents related to Hygiene and Safety of particular foods.

### Key challenges with legal compliance and enforcement

The legal framework as it currently exists for food safety and hygiene administration which includes decrees, decisions and circulars issued by various ministries and departments often overlaps and there are difficulties in applicability. For example:

- Overlap of regulatory authorities: The Health Ministry issued the Decision No 11/2006/QĐ-BYT dated 9/3/2006 concerns the regulations of issuing certificates of food safety and hygiene to foodstuff businesses. However, The Ministry of Agriculture and Rural Development issued the Decision No 117/QĐ-BNN dated 11/12/2008 also on the regulations of inspecting and certifying seafood processing businesses, which meet the standards for food safety and hygiene.
- Different handling of non-compliance: In the aquatic products sector, according to Article 16, Term 1, Item c, the Decree No 128/2005/ND-CP dated 11/10/2005 issued by the Government on handling administrative violations in the aquatic products sector, veterinary medicine, chemicals and additives are forbidden from use and circulation with a fine for illegal use of them ranging from 3 to 5 millions VND. However, according to Article 15, Term 5, Item c in the Decree No 45/2005/ND-CP dated 6/4/2005 issued by the Government on handling administrative violations in the health sector, fines for contaminated animals (including aquatic animals) would be between 10 to 15 millions VND.
- Shortcomings in the legal framework on producing and trading agricultural products. Conditions of veterinary hygiene to breeding farms and the process of tackling animals and products made from animals that don't meet the standards are unclear in current regulations. There are no clear guidelines on the use of antibiotics and illegal chemicals<sup>36</sup>.

<sup>36</sup> Hương Cát at <http://vietnamnet.vn>

## Sector Supplement #2

# Food Processing

*"In my opinion, in order to control food safety and hygiene, the authorities have to inspect the quality of food produced in slaughter houses. Many slaughter houses that do not meet criteria for food safety and hygiene still provide food without limitation to markets in Hanoi. That is the main cause to a number of rampant food poisoning cases recently.*

*Moreover, in Vietnam, food processing is mainly done by households, which account for 85% of the industry, so it is very hard to inspect the compliance with regulations of food safety."*

Trần Mạnh Dũng, store owner at Hang Da market (Ha noi)

Source: <http://www.vietnamnet.vn>

According to international conventions, the administration of food safety and hygiene has to achieve two fundamental missions: to issue all food safety and hygiene standards and to ensure there is a sufficient number of inspectors. In Vietnam, the inspection of food safety and hygiene is under the health inspection division. However, the total number of health inspectors nationwide is around 230 people and each province has 1 to 3 inspectors with 0,5 inspectors in charge of food safety inspection. It is an impossible task for this small number of people to supervise 350,000 food related businesses running 24-hour operations each day.

businesses and consumers that violate the regulations are usually not strictly penalised and therefore violations of food safety continue to occur. Manufacturers seeking to reduce costs or increase shelf life of products use toxic additives, distribute fake food products or violate other food safety standards without considering the long-term impacts that such violations can have on their reputation and consumer loyalty, not to mention the risk of product recalls and litigation in cases where the health of consumers has been affected. Judiciary and executive authorities (e.g. court and state inspectors) have rarely been involved in the administration of food safety and there is a lack of investment in food safety generally. The following examples help to illustrate some typical cases:



Table 3: Number of staff in control of safety and hygiene (Source: General Statics Office at <http://baokinhteht.com.vn>)

Sector	Average total staff (person)	Staff in control of food safety and hygiene (person)
Province	3.9	0.5
	2.8	0.5
	4.3	2.9
	6.4	3.2
Professional department	2.6	0.3
	8.9	0.9
Inspection	4.1	0.5

Procedures for tackling violations of food safety and hygiene regulations are complicated and not sufficient to deter future violations. Administrative officials,

### Box 1: Food poisoning on the rise in Ho Chi Minh City

Currently, Ho Chi Minh City has 36,000 food businesses, 217 animal processing facilities, 303 markets with 9926 food stalls, 10 industrial parks, and 3 processing zones with 195 collective dinning rooms (excluding enterprises that use industrial helpings). In addition there are more than 2,000 collective dining rooms of schools, 200 industrial suppliers and tens of thousands of food stalls on streets.

In 2008, the city found 23 cases of food poisoning, which is four more compared to 2007 when 1590 people were affected. Most of the food poisoning happened in collective dining rooms of processing zones and industrial parks.

Source: <http://www.vietnamnet.vn>



## Sector Supplement #2

# Food Processing

### Box 2: Production facility caught violating food safety regulations

Quang Nam province has just issued the results of testing powdered red pepper from the production facility owned by Tran Thi Phuc at Ai Nghia town, Dai Loc district, Quang Nam province. According to the result, the powdered red pepper has been contaminated by rhodamine B chemical. The department of food safety and hygiene in Binh Dinh province has sealed 6 tons of powdered cashew and 60 powdered red pepper mixed with powdered cashew at two processing facilities in My Chanh town, Phu My district. Before that, testing of powdered red pepper mixed with powdered cashew carried out by the Binh Dinh Province Authority indicated that the foodstuff contained additives not permitted by the Health Ministry.

Source: <http://dantri.com>

### Box 3: Danish joint venture found using expired flavours

On November 14, 2010, the department of market administration in Ho Chi Minh City detected over 30 tons of expired materials, including: fruits, flavours and preservative substances at the warehouses of Orana Vietnam Company, located in sector 3-5, zone F1, Tan Thoi Hiep industrial park, district No 12.

Orana Vietnam, a Joint Venture between Orana A/S in Denmark and PCM Co. Ltd., admitted the use of the expired flavors to produce fruit-flavored jams.

Source: <http://docbao.vn>

## GLOBAL COMPACT ISSUES FOR THE INDUSTRY

### HUMAN RIGHTS AND LABOUR ISSUES

According to recent figures, roughly 2.4 million people work in the food processing industry in Vietnam. Working conditions remain a key concern. Although investment on labour safety has been increasing, there are significant risks related to chemical handling. According to media reports, lax safety is particularly evident in small entities and illegal food processing facilities.

Many of the health related impacts for workers in food processing are similar to those found in other manufacturing operations. Respiratory disorders, skin diseases



and contact allergies, hearing impairment and musculoskeletal disorders are among the most common occupational health problems for this industry. Exposure to airborne dust from various foodstuffs, as well as chemicals, may lead to emphysema and asthma. A Finish study found chronic rhinitis and chronic coughs common among slaughterhouse and pre-cooked food workers, mill and bakery workers and food processing workers. Exposure to various chemical substances can also result in skin or eye irritation and respiratory disorders while headaches, salivation, burning of the throat, perspiration, nausea and vomiting are symptoms of intoxication due to overexposure. Due to sanitation requirements, workers are constantly washing their hands with soap and dip stations which can lead to dermatitis. Hearing impairment can occur as a result of continuous and prolonged exposure to noise above recognized threshold levels and heat and cold conditions can cause health risks to workers if the right precautions are not taken.

### Environment

Emissions of the seafood processing industry are a particular concern as they affect the health of employees and as well as the health of communities living in the vicinity of processing facilities. Carbon Dioxide (CO<sub>2</sub>) emissions from these facilities also contribute to global climate change. A survey of energy use and CO<sub>2</sub> emission in 500 investigated seafood processing enterprises in 12 provinces and cities showed that the following results for the 24 enterprises in the seafood processing industry sub sector:

- Total production in 2005: 89.7 thousand tons,
- Total energy cost: VND 44.85 billion/year
- Total CO<sub>2</sub> emission: 325,155.33 thousand tons /year,
- Ratio between energy cost and production cost: 7.5%
- Average number of employees: 519 employees/enterprise,
- Average capital: VND 47 billion /enterprise.

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# Food Processing

Table 4: Energy use and CO2 emission in 2005 of the seafood processing industry sub sector

No.	Types of energy	Energy use		Cost (billion VND)	CO2 emission (ton)
		Unit	Amount		
1	Electricity	million kWh	367.83	328.80	151,913.79
4	Coal	thousand tons	0.71	0.24	1,312.70
3	DO oil	thousand litre	930.89	5.27	2,660.91
	FO oil	thousand litre	722.70	5.60	2,313.36
4	Gas	thousand tons	1.38	13.61	4,096.15
Total				353.52	162,296.91



Uncontrolled drainage of sewage from agricultural businesses is another key concern. For example, in Binh Thuan Province, there are ten medium-sized agricultural enterprises and thousands of small-sized agricultural enterprises in Duc Linh and Tanh Linh districts. Most of these enterprises do not have wastewater or waste treatment plants but instead discharge wastewater directly into river and dump and bury the waste locally. This practice has significantly affected local communities and in particular local potato famers. Cyannua levels in potatoes were found to be 462.8 times greater than allowed standards due to serious pollution of the Suoi Gieng river. An inspection by the local authority found the Ngoc Thach starch processing plant in No. 3 village, Gia Huynh town, Tanh Linh district, to be a major polluter of the river directly discharging wastewater into the stream.

## ANTI-CORRUPTION

The corruption behaviour in this industry mostly takes place during inspections (of food quality and environment protection), while obtaining import and/or export licences, and in some other areas. These corruption issues related closely to how other GC principles are practised.

## SOLUTIONS AND RECOMMENDATIONS

The main body of the GCNV 'Guide to the Global Compact Principles in Vietnam' provides an overall framework for companies to make business decisions aligned with whether they want to be a 'beginner', 'achiever' or 'leader' in sustainable development (see page 29 for the Self-Assessment Tool). In the Labour, Human Rights, Environment and Anti-Corruption Sections of this Guide, there are more details on the practical steps that businesses can take in each of the four areas of the Global Compact to achieve results.

## ADDITIONAL LINKS AND SOURCES OF INFORMATION RELEVANT FOR THE INDUSTRY

- Project "Energy saving in industrial sectors" web page URL [www.ecsme.com.vn](http://www.ecsme.com.vn)
- Kinh Do food corporation web page URL [www.kinhdo.vn](http://www.kinhdo.vn)
- VISSAN LIMITED COMPANY a member company of Saigon Trading Group web page URL [www.vissan.com.vn](http://www.vissan.com.vn)
- Vietnam information for science and technology advance web page URL [www.vst.vista.gov.vn](http://www.vst.vista.gov.vn)
- Vietnam economic corporation magazine web page URL <http://baokinhteht.com.vn>
- Saigon times press web page URL [www.thesaigontimes.vn](http://www.thesaigontimes.vn)
- Police of BinhThuan province web page URL [www.conganbinhthuan.gov.vn](http://www.conganbinhthuan.gov.vn)
- Tra Vinh government web page URL <http://www.travinh.gov.vn>
- Police press web page URL [www.ca.cand.com.vn](http://www.ca.cand.com.vn)
- Community web page URL <http://vietnamnet.vn>
- Community web page URL <http://tintuc.xalo.vn>
- Labour magazine web page URL [www.laodong.com.vn](http://www.laodong.com.vn)
- Food Law in VIETNAM of Russin & Vecchi an international law firm founded in 1969 in Bangkok, Saigon, Santo Domingo, and Washington, D.C., to create an international practice serving the developing commercial environments of Asia and Latin America.





## Sector Supplement #3

# Construction

### INTRODUCTION TO THE INDUSTRY

Despite the recent global recession, Vietnam's construction sector has continued to grow rapidly<sup>37</sup>. Investments have increased year-by-year, and annual growth has averaged 12 percent in recent years contributing to 7 percent of Vietnam's GDP<sup>38</sup>. The growth for the construction material industry is even higher taking into consideration products such as cement, ceramic tiles, artificial granite, porcelain and glass<sup>39</sup>. The sector is dominated by several state-owned groups whose total fixed assets in 2006 accounted for 53% of the entire sector and 41% of the total revenues. Construction creates the infrastructure for manufacturing and other industries and infrastructure investments are a key priority for the Vietnamese Government.

In 2008, Cao Viet Sinh, Vietnam's Planning and Investment Deputy Minister, stated that weaknesses in infrastructure are slowing down the absorption rate of FDI in the country.<sup>40</sup> Hanoi and Ho Chi Minh City are seeking increased investments in their infrastructure sectors. Ho Chi Minh City officials estimated that the city will need 15 billion USD worth of investments in its transport infrastructure up to 2020, to keep up with the pace of its anticipated development.<sup>41</sup> In 2009, Ho Chi Minh City announced plans for an investment of 2 billion USD into its transport projects, in order to stimulate the construction industry and to boost economic growth.<sup>42</sup>

<sup>37</sup> Business Monitor International (BMI) Infrastructure Report 2010/ 1Q

<sup>38</sup> American Chamber in Vietnam web page: URL: <http://www.amchamvietnam.com/2912>

<sup>39</sup> 2008 Vietnam Country Report from the 14th Asia Construct Conference

<sup>40</sup> BMI report

<sup>41</sup> 14th Asia Construction Congress, Vietnam Report 2008

<sup>42</sup> BMI report

The fast growth of this sector has not been matched with an equally sound legal and administrative framework. State-owned construction companies still dominate. Difficulties in accessing domestic capital and project delays remain obstacles for international investors<sup>43</sup>. Issues such as non-adherence to labour laws and human rights, as well as environmental pollution from construction, affect good business practices in general and the Global Compact Principles in particular.

### KEY LEGISLATION SPECIFIC TO THE INDUSTRY

There are six key laws which relate to the industry. These are:

- Construction Law No. 16/2003/QH dated 26/11/2003
- Law on Real Estate Business No. 63/2006/QH11 dated 29/6/2006
- Law on Amending and Supplementing a Number of Articles of the Laws Concerning Capital Construction Investment
- Housing Law No. 56/2005/QH dated 29/11/2005
- Law on Amending and Supplementing article 126 of the housing law and article 121 of the land law

In addition to these laws there are also 8 government decrees on guiding the implementation of the Construction Laws, 21 circulars of the Ministry of Construction and other related ministries, several decisions along with other guidelines and instructions.

#### Key challenges with legal compliance and enforcement:

Vietnam is one of the most dynamic infrastructure markets and despite a downturn during the financial crisis, investments in infrastructure continued to rise and fuel Vietnam's economic development.<sup>44</sup> However, key challenges with legal compliance relate to:

**Lack of investment in safety:** In the last 7 months, several accidents took place in the Hanoi Landmark Tower – Keangnam, which is set to be the tallest building in Vietnam. Incidents killed 7 people and injured many more. In February 2010 an inspection on labour and working conditions was carried out and a lack of investment in safety

infrastructure was one of the key issues identified. Companies note that the current costing structures do not enable adequate investment in this area.

**Capacity of workers and managers:** Companies interviewed for this research point out that many workers are migrant farm workers who do not receive enough training on safety or even basic skills.

**Challenges for trade unions:** As noted earlier in the report, trade union representatives are faced with a difficult challenge balancing the interests of managers and workers.

**Insufficient monitoring:** There is a lack of monitoring and checking within companies themselves and within government departments which makes labour safety difficult to enforce.

**Corruption:** The infrastructure and construction industry is prone to corruption because of its size, technical complexity, extensive approval processes and easy concealment of sub-standard workmanship and materials. This is a global problem. According to CoST, the Construction Sector Transparency Initiative, losses in the international construction industry due to corruption amount to 15 to 30%.<sup>45</sup>



<sup>43</sup> BMI report

<sup>44</sup> BMI report

<sup>45</sup> American Chamber of Commerce in Vietnam webpage, URL: [www.amchamvietnam.com/2912](http://www.amchamvietnam.com/2912); CoST Initiative web page. URL: [www.constructiontransparency.org/](http://www.constructiontransparency.org/)



## GLOBAL COMPACT ISSUES CONSTRUCTION

### Human Rights and Labour

Worker safety is one of the most pressing concerns for the industry. In 2008, research by the Ministry of Health found that 80% of the surveyed enterprises had very poor working conditions, and that accidents at construction sites made up 60% of the total labour accidents from that year. Trafficking is also a risk in Vietnam in relation to construction – both within the country and from Vietnam to other countries<sup>46</sup>. The Ministry of Labour, Invalids and Social Affairs (MOLISA) reported that some Vietnamese workers in state-owned labour companies who were recruited in Vietnam and sent to Malaysia and Thailand suffered indecent working conditions akin to involuntary servitude or forced labour.<sup>47</sup>

Despite national efforts such as the National Program on Labour Protection and Safety, accidents in construction continued to increase in recent years. On average, there have been about 3000 – 4000 accidents per year in construction which killed hundreds of labourers and created massive economic losses<sup>48</sup>.

In 2009, continuous accidents at the construction site of Vietnam's highest building, the Hanoi Landmark Tower, raised public awareness about health and safety measures in the industry. The labour inspectorate found that safety had been compromised to meet faster deadlines. Furthermore, the construction site did not have designated staff members in charge of labour health safety within the construction site<sup>49</sup>. The 2008 Ministry of Health study for the sector as a whole revealed that contractors provided limited safety equipment and only limited safety fences and workers were found to be not wearing safety harnesses when working on high buildings.<sup>50</sup>

Lack of training for workers and protective equipment is an ongoing issue. According to MOLISA research in 2007, 84% of labourers in the small and medium construction sites were the semi-unemployed workers from a farming background, and 90% had never been trained on labour safety and cleanliness. The MOLISA research found that

only 24.6% of labourers were equipped with personal protection equipment. Most of the labourers still used flip-flops, and did not have hard hats or safety belts. Only 34% of enterprises invested in proper scaffoldings while only 14.6% enterprises provided workers with safe drinking water<sup>51</sup>. Recently, a Song Da Corporation representative stated in a newspaper interview, that companies often offer the more risky and complicated jobs at narrow construction sites to young workers below 30 years which is the age group with the most accidents. Song Da is a parent company with more than 20 construction companies. The main causes of accidents in construction are linked to toxic chemical spills, electric shocks, being cut by sharp objects and falling from high places. A survey further showed that only 10 per cent of young workers were fully aware of safety regulations and relevant policies<sup>52</sup>.

### ENVIRONMENT

Buildings are responsible for around 33% of total global CO2 emissions worldwide, and it is estimated, that Asian buildings today account for over 7% of the world's total energy use, together with other environmental impacts of buildings, such as the use of raw materials and water efficiency.<sup>53</sup> Real estate material production processes, such as making bricks in Vietnam, account for a large proportion of greenhouse gas emissions.<sup>54</sup>

Construction activities such as demolition of old buildings, dropping building materials and dumping soil can generate serious dust pollution within the environment. Information from the United Nations Environmental Programme (UNEP) shows that even in 2001, 60-70% of the dust volumes in urban air were powdered soil and stone whirling from the surface of land and roads originated from construction activities.

In Vietnam, the UNEP in cooperation with the Ministry of Natural Resources and Development of Vietnam promoted industrial diversification in building materials for

<sup>46</sup> the Human Rights Report 2007 from Vietnamhumanrightsnet stated that men were trafficked regionally to work in construction.

<sup>47</sup> <http://www.vietnamhumanrights.net/english/documents/USSD%202008.pdf>

<sup>48</sup> Xuan Hung "Alarm for accidents in construction", Labourer Newspaper dated 1/12/2009.

<sup>49</sup> <http://tienphong.vn/Tiayon/Index.aspx?ArticleID=187372&ChannelID=2>

<sup>50</sup> <http://www.lookatvietnam.com/2009/08/construction-safety-fears-building-up.html>

<sup>51</sup> [baokinhteht.com.vn/home/18177\\_p0\\_c160/nganh-xay-dung-ty-le-tai-nan-lao-dong-luon-cao-nhat.htm](http://baokinhteht.com.vn/home/18177_p0_c160/nganh-xay-dung-ty-le-tai-nan-lao-dong-luon-cao-nhat.htm) dated 5/12/2007

<sup>52</sup> Vietnamnetbridge web page. URL: <http://english.vietnamnet.vn/social/200912/Young-workers-ignore-labour-safety-hygiene-rules-survey-885521/>

<sup>53</sup> Responsible Research (2009)

<sup>54</sup> Ministry of Natural Resources and Environment of Vietnam (2005): Technical report on the identification and assessment of technology needs for GHG emission reduction and climate change adaptation in Viet Nam. URL: [http://unfccc.int/ttclear/pdf/TNA/Viet%20Nam/Vietnam\\_Final%20Report\\_Phase%20II.pdf](http://unfccc.int/ttclear/pdf/TNA/Viet%20Nam/Vietnam_Final%20Report_Phase%20II.pdf)

cement, ceramic tile, porcelain, glass, refractory brick, steel, aluminium, tiled roof and mechanical products. One major output of this initiative was to identify adaptation measures for Vietnam's greenhouse gas emission reduction and climate change adaptation. According to a report from the Ministry of Natural Resources and Development, brick is the construction material that has the highest demand, and has the highest greenhouse gas emission. About 60 – 70 % of brick output has been manufactured by traditional blast furnaces. According to UNDP information, almost all Vietnamese provinces and cities have worked out plans to develop more sustainable building materials in their own territory.<sup>55</sup>

Vietnam is enhancing its regulations on energy efficiency.<sup>56</sup> However, in many cases law enforcement is still lagging. There is a trend towards more regulation, stricter enforcement and the emergence of voluntary certification schemes such as a Vietnam specific 'Lotus' standard for green buildings.



### ANTI-CORRUPTION

In 2005, the Central Internal Affairs Committee of Vietnam stated, that construction is one of the industries most vulnerable to corruption. In 2008, Vietnam's Chamber of Commerce and Industry revealed in its Provincial Competitiveness Index, that

<sup>55</sup> [http://unfccc.int/tclear/pdf/TNA/Viet%20Nam/Vietnam\\_Final%20Report\\_Phase%20II.pdf](http://unfccc.int/tclear/pdf/TNA/Viet%20Nam/Vietnam_Final%20Report_Phase%20II.pdf)

<sup>56</sup> Asian Development Bank web page. URL: <http://www.adb.org/documents/events/2009/CCEWeek/Presentation-Duy-Thanh-Bui-Energy.pdf>

construction companies had more illegal expenditures than any other businesses<sup>57</sup>. In 2009, a joint Danish Foreign Ministry and World Bank report on the implementation of Vietnam's Law against Corruption concludes, that the implementation and enforcement of the new law is most at risk in the construction sector. According to the Investment Climate Survey undertaken by the World Bank, around 20% of their interviewees thought that gifts were expected or required when dealing with the Vietnamese Department of Construction.<sup>58</sup>

Two major corruption scandals in 2005 and 2006 put the construction sector into the epicentre of anti-corruption investigations. In 2006, officials of the state construction agency, which operates under the Ministry of Transport and receives ODA funds, were found to have accepted kickbacks. Investigators also found other irregularities linked to spending public funds for purchasing private properties and gambling.<sup>59</sup> In 2007, the Can Tho bridge, a Japanese funded infrastructure project, so far the longest bridge of its kind in South East Asia and one of Vietnam's flagship construction projects, collapsed, leaving 54 people dead and almost 100 injured. Several government officials were arrested for taking bribes. Japan suspended their ODA to Vietnam after the exposure of other construction scandals.<sup>60</sup>

<sup>57</sup> Look at Vietnam web page. URL: [www.lookatvietnam.com/2009/08/construction-sector-judged-most-vulnerable-to-corruption.html](http://www.lookatvietnam.com/2009/08/construction-sector-judged-most-vulnerable-to-corruption.html)

<sup>58</sup> Asian Development Bank (ADB) 2009: Implementation Assessment of the Anti-Corruption Law: How far has Vietnam come?.. The Embassy of Denmark in Vietnam web page. URL: [www.ambhanoi.um.dk/NR/rdonlyres/038477FF-CA03-4554-9152-B528C2AED03D/0/ReportAntiCorruptionImplementationEnglishfinal.doc](http://www.ambhanoi.um.dk/NR/rdonlyres/038477FF-CA03-4554-9152-B528C2AED03D/0/ReportAntiCorruptionImplementationEnglishfinal.doc) ; [www.lookatvietnam.com/2009/08/construction-sector-judged-most-vulnerable-to-corruption.html](http://www.lookatvietnam.com/2009/08/construction-sector-judged-most-vulnerable-to-corruption.html)

<sup>59</sup> Business Anti Corruption web page. URL: (<http://www.business-anti-corruption.com/country-profiles/east-asia-the-pacific/vietnam/corruption-levels/licences-infrastructure-and-public-utilities/>)The most important quasi-government agencies involved in public spending in Vietnam are so-called Project Management Units (PMUs). These units oversee implementation of major infrastructure projects, which are often funded by foreign development assistance. According to **Transparency International 2006**, there is a high potential for embezzlement and other kinds of corruption in PMUs. As a result, these units have been the target of many government anti-corruption efforts. Vietnamhumanrightsnet web page. URL: <http://www.vietnamhumanrights.net/english/documents/USSD%202008.pdf>

<sup>60</sup> <http://www.vietnews.vn/News/Society/Law/7727/Bridge-builder-arrested-for-corruption.htm>



Vietnam has pledged to increase efforts for transparency and good governance in ODA funded projects as well as more generally. There are a number of laws and policies to create a more comprehensive legal framework for the construction industry, and to prevent and curb corruption in construction. These laws include the Construction Law (2003), the Housing Law (2005), the Real Estate Law (2006), the Anti-corruption Law, the Bidding Law, and related inspection and supervision regulations<sup>61</sup>. While more effort has also gone into enforcement there are concerns that the institutional and regulatory framework within the sector is not adequate<sup>62</sup>. Even though laws may have helped to partly curb corruption and wrongdoings, there are still gaps and many contractors do not abide by current regulations. It is common practice for contractors to reduce bidding prices to win the tender and find ways to reduce the quality of the project in order to make a profit. Experts have suggested further amendments to the regulation along with measures which start bidding only when land clearance tasks are completed.<sup>63</sup>

### SOLUTIONS AND RECOMMENDATIONS

The main body of the GCNV 'Guide to the Global Compact Principles in Vietnam' provides an overall framework for companies to make business decisions aligned with whether they want to be a 'beginner', 'achiever' or 'leader' in sustainable development (see page 29 for the Self-Assessment Tool). In the Labour, Human Rights, Environment and Anti-Corruption Sections of this Guide, there are more details on the practical steps that businesses can take in each of the four areas of the Global Compact to achieve results.

### ADDITIONAL LINKS AND SOURCES OF INFORMATION RELEVANT FOR THE INDUSTRY

Links to Vietnam legal documents:

Law on Construction

<sup>61</sup> See references to laws in the last section

<sup>62</sup> BMI

<sup>63</sup> Vietnamnetbridge web page: <http://english.vietnamnet.vn/politics/2009/07/856956/>

<http://www.vietnamlaws.com/freelaws/Lw16na26Nov03Construction%5BX2967%5D.pdf>

Decree on management of work construction investment projects

DECREE No. 83/2009/ND-CP of OCTOBER 15, 2009: Amending and supplementing a number of articles of the Government's Decree No. 12/2009/ND-CP of February 12, 2009, on management of work construction investment projects

Circular detailing the issuance of construction practice certificates  
CIRCULAR No. 12/2009/TT-BXD OF JUNE 24, 2009: Detailing the issuance of construction practice certificates

The Housing Law <http://www.freshfields.com/publications/pdfs/2006/15848.pdf>

### OTHER NOTEWORTHY RESOURCES:

**Construction Transparency Initiative:** In 2008, Vietnam joined the Construction Transparency Initiative (CoST). Key government representatives are the Office of the Government, the Committee on Anti-corruption, the Ministry of Finance, Ministry of Planning and Investment, the Government Inspectorate, the State Audit, and the Ministry of Transport. The Vietnam Federation of Civil Engineering Associations (VIFCEA), the Vietnam Association of Construction Contractors and the Vietnam Fatherland Front should represent construction businesses as well as civil society.<sup>64</sup>

**Green Building Council and Lotus:** The International Green Business Council set up a Vietnam Branch. Its objectives are to promote the construction and renovation of sustainable, resilient, climate change adapted buildings and neighbourhoods. A Vietnam specific rating system, LOTUS, aims to assess and give credits for conservation, ecology and environment, health and well being; climate change community and social issues, together with practical management approaches. LOTUS adapts to global rating standards such as LEED, Green Star and BREAM for the Vietnamese Market.<sup>65</sup>

<sup>64</sup> CoST web page. URL: <http://www.constructiontransparency.org/CountriesSupporters/Countries/Vietnam/>

<sup>65</sup> Vietnam Green Building Council web page. URL: [http://vsccan.org/vgbc\\_english/faq.html](http://vsccan.org/vgbc_english/faq.html)

#### RELEVANT ORGANISATIONS IN VIETNAM:

- Academy of Managers for Construction and Cities** <http://amc.edu.vn>  
 The Academy of Managers for Construction and Cities, a professional body of the Ministry of Construction (MOC) involved with training and retraining construction staff, researching, giving advice on construction organization and management.
- Hanoi University of Civil Engineering (HUCE)** [http:// en.hanoi.vietnamplus.vn/](http://en.hanoi.vietnamplus.vn/)  
 Hanoi University of Civil Engineering was established on August 8th, 1966 and is an education and research institution, which provides the education to scientists and technicians at graduate and post- graduate levels in various disciplines of civil engineering. The University is also a scientific and technological research centre to bridge the gap of practical production with advanced outcomes of science and technology in the field of civil engineering.  
 Apart from education, the University also operates a consulting company for scientific research and technological transfer and application of achievements in the field. The University today is endeavouring to “build and strive to be a leading and highly qualified education and scientific research centre in the field of capital construction, gradually integrating into the regional and international university system in terms of level and quality as well as graduates’ capacity”.
- Hanoi Architectural University** <http://en.moet.gov.vn/>  
 Hanoi Architectural University was established in 1969 directly under the Ministry of Architecture (Ministry of Construction). The University belongs to Ministry of Construction and under the State's control on specialty of Ministry of Education and Training and territorial management of the People's Committee of Hanoi City.  
*Functions and missions of Hanoi Architectural University:*  
 Undergraduate training: Architects of project, architects of planning, civil and industrial engineers, engineers of underground works, engineers of water supply, engineers of infrastructural technique, engineers of Urban environmental technique, engineers of Urban constructional management, bachelors of industrial fine art. In the coming time, the University will train engineers of Urban and constructional economy, engineers of constructional materials and other specialties.  
 Graduated training: Masters, Doctors in specialties such as: Architecture, Planning, Construction, Infrastructural Technique and Urban Environment, Urban Management, Urban design with stable development heritage (In French).

Training and improving special capacity, professional competence, foreign language and informatics for managing staffs, technical science staffs of offices, organization, localities....

Performing themes of scientific researches assigned by the state, sectors, office, organizations, locality and the themes registered by lecturers, scientific staffs, students and trainees of the University.

Cooperating with domestic and international universities, institutes, offices and organizations on training, scientific researches and technological transfer.

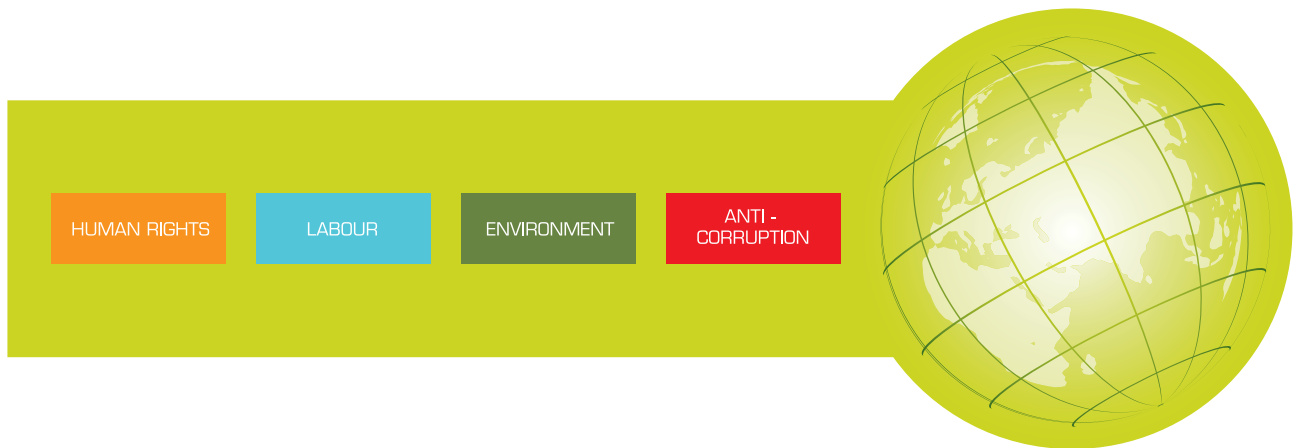
Applying the results of training and scientific researches to actual works supporting for the society under the contracts of design consulting, supervising consulting, construction, investment, scientific services, technological transfer....

- College of Mining Engineering**  
 The College of Mining Engineering was established under in 1996 by the Prime Minister on the basis of the formal Mine Technical Secondary School, which was established on 25th November 1958. The college was mandated to supply college level mine technicians to meet the following objectives, to provide graduate technicians with profound technological knowledge and skills to guide technical workers to implement technological process and to design projects in their managerial capacity.
- College of Industrial Engineering - Thai Nguyen University**  
 College of Industrial Engineering has responsibility for training technical cadres at higher education levels for northern highland provinces of Vietnam. Furthermore, the College plays a role as Centre for Scientific Research.
- College of Engineering (CENG) - Da Nang University** <http://en.moet.gov.vn/>  
 The College of Engineering, formerly known as the Polytechnic College established in 1975, is one of the five member colleges of Da Nang University. It was established according to Decision No.32/CP dated April 4, 1994 of the Government as required by the renovation of tertiary education.  
 As the only College of Engineering in Central Vietnam and the Western Highlands, the College has the missions of training doctors, masters and engineers of technological majors; training technical workers at junior college level; carrying out scientific studies and technological transfer to meet the requirements of socio- developments of the region.



11.7 cm

5.3 cm



## GLOBAL COMPACT NETWORK VIETNAM

Providing **G**uidance, **C**apacity Building, **N**etworking,  
and **V**ietnam solutions in corporate social responsibility

