



<b>BUSINESS INTEGRITY TOOLKIT FOR STARTUP</b>	<b>WHAT'S INSIDE THE TOOLKIT:</b>
	<ul style="list-style-type: none"> <li>I. Introduction to the Toolkit</li> <li>II. Business Integrity Checklist</li> <li>III. Analysis Guideline</li> </ul>

## I. INTRODUCTION TO THE TOOLKIT:

<b>1. ACKNOWLEDGEMENT</b>
<p>Prior to creating this toolkit, we have interviewed top-tier angel investors and Venture Capitals (VC) who are actively investing in Vietnam to gain their perspectives on Business Integrity (BI) and how it is incorporated into their practical due diligence process. We would like to hereby acknowledge the engagement of the following organizations during the creation of this toolkit:</p> <ul style="list-style-type: none"> <li style="width: 50%;">- ASEAN Angel Alliance Network</li> <li style="width: 50%;">- Mekong Capital</li> <li style="width: 50%;">- Vietnam Angel Network</li> <li style="width: 50%;">- 500 Startups</li> <li style="width: 50%;">- Sequoia Capital</li> <li style="width: 50%;">- IDG Ventures Vietnam</li> <li style="width: 50%;">- Global Brain Corporation</li> <li style="width: 50%;">- The Ventures</li> <li style="width: 50%;">- Insignia Ventures Partners</li> <li style="width: 50%;">- Quest Ventures</li> </ul>

<b>2. RULE OF ENGAGEMENT</b>
<p>What we have learned through in-depth interviews with angel investors &amp; VCs:</p> <ul style="list-style-type: none"> <li>- All investors, no matter at what investment stage, considers Business Integrity as one of the most important issues in the due diligence (DD) process.</li> </ul>

- All startups, no matter at what fund-raising cycle, must pass the strict BI assessment prior to being considered by investors.

This checklist is created for you to prevent, detect, and respond to Business Integrity issues and risks facing your business and your success in fund-raising.

### 3. WHO IS THIS TOOLKIT FOR?

- Startups who need to pass the Business Integrity Assessment by investors in order to successfully raise fund.

### 4. WHY BUSINESS INTEGRITY?

The 2030 Agenda for Sustainable Development, adopted by all United Nations member states in 2015 provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. Out of the 17 SDGs, one focuses on peace, justice and strong institution – SDG16, and is one of the most relevant to both the investor and entrepreneur communities, especially in the rise of the startup culture & the creative economy.

Vietnam's 2019 Corruption Perceptions Index (CPI) scored 37/100, up by 4 points compared to 2018, ranking 96/180 on the global index. Within ASEAN, Vietnam and Malaysia are the only two countries that see a statistically significant improvement in CPI score.

Towards Transparency (TT) recognizes that the 4-point increase in CPI score signals a positive development in Vietnam's fight against corruption in the past year. However, on the scale of 0 (highly corrupt) to 100 (very clean), Vietnam is still among two thirds of the world's countries scoring below 50. This means that corruption remains a serious problem in Vietnam.

Corruption creates serious risks for both investors and startups.

### 5. WHAT IS BUSINESS INTEGRITY?

While business integrity may incorporate a much larger scope, to facilitate practical due diligence (DD) process between investors and startups, especially for early-stage and angel investors, Business Integrity in this toolkit focuses on topics generally considered "anti-corruption".

The three drivers of Business Integrity for entrepreneurs:

- Driver 1: Personal moral compass
- Driver 2: Quality of management system
- Driver 3: Understanding & Compliance to Vietnam's law

Our recommended approach to efficient Business Integrity management is based on three key concepts: Prevent – Detect – Respond. While the BI checklist for investors shall focus on "Detect", the checklist for startups shall focus on all three concepts.

## II. BUSINESS INTEGRITY CHECKLIST:

A	PREVENTION			
1	The Company & Founders	YES	NO	NOT SURE
1.1	The company is legally registered under Vietnam law?			
1.2	The founders trust each other and share common values and visions?			
1.3	Are the founders aware of and committed to Business Integrity?			
1.4	There are shareholder agreements, provisions of the company's charter, or informal understandings that specify which shareholders appoint directors?			
1.5	Current mix of skills/experience on the Board of Directors serve the company's interests?			
1.6	The company directors are appointed on the basis of a clear job description which identifies the required directors' background and expertise?			
1.7	Are any of the founders or core team senior government officials or a relative of a senior government official working within government bodies that are tied to the business's success? (For example: relative of head of State Bank of Vietnam running a fintech startup.)			
1.8	None of the major shareholders (5%+) and members of the Board of Directors are currently: <ol style="list-style-type: none"> <li>1. Under arrest/investigation for any legal violation (for example fraud, or theft),</li> <li>2. Listed in Lists required by International Finance Corporation (IFC),</li> <li>3. Listed in World Bank Group Debarred Entities which is currently available on the <a href="#">World Bank Listing of Ineligible Firms &amp; Individuals</a> page of the World Bank website?</li> </ol>			
1.9	The company does not sell to state owned organizations or otherwise rely on special arrangements with state organizations for the regular conducting of the business?			
1.10	There are no investments in which it can reasonably be expected that corruption will be necessary for the regular			

	operations of the company, or for major milestone events, such as winning large contracts?			
	<b><u>Comment:</u></b>			
<b>2</b>	<b>Reputation with Business Partners (If Any)</b>	<b>YES</b>	<b>NO</b>	<b>NOT SURE</b>
2.1	Is the company behind on suppliers' payment or are having disputes with existing suppliers?			
2.2	Does the company fail in delivering customers' promise, fulfilling orders or making customers dis-satisfied by providing poor products/services?			
2.3	Has the company failed in honoring agreements with former employees or shareholders?			
2.4	Are minority shareholders currently happy with the company and its executive management?			
	<b><u>Comment:</u></b>			
<b>3</b>	<b>Legal Compliance</b>	<b>YES</b>	<b>NO</b>	<b>NOT SURE</b>
3.1	Have obtained all relevant legal registration certificates required by the local authority for company type, industry / sector?			
3.2	Currently operate at the address as registered on the certificate of incorporation?			
3.3	Have registered a tax code and red invoices?			
3.4	Maintain ONE (instead of TWO) set of accounting books?			
3.5	Prepare and submit quarterly financial statements to the tax authority as required?			
3.6	Maintain accurate accounts and financial records?			
3.7	Produce and share regular financial statements with shareholders?			

3.8	Does the company maintain transparent and accurate HR (hiring and leave) record?			
3.9	Sign official labor contracts with its employees?			
3.10	Pay social and medical insurances as required by law for its contracted employees?			
3.11	Have settled all non-compliance fines?			
3.12	Avoid cash transactions?			
3.13	Have a cash-flow strategy and plan to ensure all payments can be made on time?			
3.14	Make compulsory tax and insurance payment on time?			
	<b><u>Comment:</u></b>			
<b>4</b>	<b>Internal Control System</b>	<b>YES</b>	<b>NO</b>	<b>NOT SURE</b>
4.1	No kickback / facilitation fee / entertainment fee policy for clients, agents or government officials?			
4.2	All agreements/contracts between the company and its clients are officially written?			
4.3	Agreements/contracts conform to industry/government standard?			
4.4	No missing/incomplete technical/financial documentation?			
4.5	No appointment of agents that have staff related to a government official?			
4.6	No offshore company accounts?			
4.7	No payment to any third party to offshore accounts?			
4.8	Except special situations or insignificant value, no payment in cash?			
	<b><u>Comment:</u></b>			

<b>B DETECT</b>				
	<b>Ask yourself the below questions and check if your shareholders / directors /employees may engage in any of these activities:</b>	<b>YES</b>	<b>NO</b>	<b>NOT SURE</b>
1.1	Do the company's clients/agents demand high commission or usually large fees?			
1.2	Is there evidence that there are no written agreements/contracts between the company and its clients?			
1.3	Is there evidence that agreements/contracts do not conform to industry/government standard?			
1.4	Is there missing/incomplete technical/financial documentation?			
1.5	Is there evidence that the company's clients appointing an agent to negotiate the contract and receive payment?			
1.6	Is there evidence that the company's appointed agent have staff related to a government official?			
1.7	Is there evidence that the company's clients/agents want to make payment into an offshore account?			
1.8	Is there evidence that the company's clients/agents want to make payment in cash?			
1.9	Are there any records of facilitation payment, bribery, or gifts and entertainment fee paid and reconciled by the company's directors, shareholders, or employees?			
1.10	Is there evidence of supplier contracts awarded by the company or its employees to family members?			
	<b><u>Comment:</u></b>			

<b>C RESPOND</b>				
	<b>The company's founders and employees know how to:</b>	<b>YES</b>	<b>NO</b>	<b>NOT SURE</b>
1.1	Say no to bribery and misconduct?			
1.2	Report corruption & other unethical conduct internally, without fear of reprisal from colleagues and management?			
1.3	Report illegal acts to local authorities?			
1.4	Take action when discovering wrongdoings?			
1.5	Document everything properly in order to prepare for possible crisis?			
1.6	Seek consultation and advice when unsure of how to respond?			
1.7	Communicate business integrity commitment internally and externally?			
	<b><u>Comment:</u></b>			

### III. ANALYSIS GUIDELINE

Please refer to the below symbols to understand where you are, and create a relevant action plan to improve your compliance level. If you are 80% - 100% compliant, the DD process with investors shall be easy. If you are 50% - 80%, you need to create an action plan to strengthen your compliance prior to engaging investors. If you are below average, you have a serious problem and need to focus on rectifying the situation until you achieve 80% or above. If not, it is almost impossible for you to work with any investors.

✓ = there is enough evidence of compliance and no further action is required

🚩 = there is a red flag or risk of non-compliance and corrective actions are required before engaging with investors. Please refer to [Business Integrity Toolkit for Young Entrepreneurs](#) for detailed guidance.

Not sure = You are not aware of or have not obtained enough evidence to respond to the question. If you are not aware of the topic, please refer to [Business Integrity Toolkit for Young Entrepreneurs](#) for detailed guidance. If you have not obtained enough evidence to respond, please do so immediately and complete the checklist prior to engaging any investors.

#### SECTION A: PREVENTION

##### PART I: THE COMPANY & ITS FOUNDERS

1.1 Yes = ✓, No = 🚩, NS (Not sure) = TBC (To be checked)

1.2 Yes = ✓, No = 🚩, NS = TBC

1.3 Yes = ✓, No = 🚩, NS = TBC

1.4 Yes = ✓, No = 🚩, NS = TBC

1.5 Yes = ✓, No = 🚩, NS = TBC

1.6 Yes = ✓, No = 🚩, NS = TBC

1.7 Yes = 🚩, No = ✓, NS = TBC

1.8 Yes = 🚩, No = ✓, NS = TBC

1.9 Yes = 🚩, No = ✓, NS = TBC

1.10 Yes = 🚩, No = ✓, NS = TBC

##### PART II: REPUTATION WITH BUSINESS PARTNERS

2.1 Yes = 🚩, No = ✓, NS = TBC

2.2 Yes = 🚩, No = ✓, NS = TBC

2.3 Yes = 🚩, No = ✓, NS = TBC

2.4 Yes = ✓, No = 🚩, NS = TBC

### **PART III: LEGAL COMPLIANCE**

- 3.1 Yes = , No = , NS = TBC
- 3.2 Yes = , No = , NS = TBC
- 3.3 Yes = , No = , NS = TBC
- 3.4 Yes = , No = , NS = TBC
- 3.5 Yes = , No = , NS = TBC
- 3.6 Yes = , No = , NS = TBC
- 3.7 Yes = , No = , NS = TBC
- 3.8 Yes = , No = , NS = TBC
- 3.9 Yes = , No = , NS = TBC
- 3.10 Yes = , No = , NS = TBC
- 3.11 Yes = , No = , NS = TBC
- 3.12 Yes = , No = , NS = TBC
- 3.13 Yes = , No = , NS = TBC
- 3.14 Yes = , No = , NS = TBC

### **PART IV: INTERNAL CONTROL SYSTEM**

- 4.1 Yes = , No = , NS = TBC
- 4.2 Yes = , No = , NS = TBC
- 4.3 Yes = , No = , NS = TBC
- 4.4 Yes = , No = , NS = TBC
- 4.5 Yes = , No = , NS = TBC
- 4.6 Yes = , No = , NS = TBC
- 4.7 Yes = , No = , NS = TBC
- 4.8 Yes = , No = , NS = TBC

### **SECTION B: DETECT**

- 1.1 Yes = , No = , NS = TBC
- 1.2 Yes = , No = , NS = TBC
- 1.3 Yes = , No = , NS = TBC

- 1.4 Yes = , No = , NS = TBC
- 1.5 Yes = , No = , NS = TBC
- 1.6 Yes = , No = , NS = TBC
- 1.7 Yes = , No = , NS = TBC
- 1.8 Yes = , No = , NS = TBC
- 1.9 Yes = , No = , NS = TBC
- 1.10 Yes = , No = , NS = TBC

**SECTION C: RESPOND**

- 1.1 Yes = , No = , NS = TBC
- 1.2 Yes = , No = , NS = TBC
- 1.3 Yes = , No = , NS = TBC
- 1.4 Yes = , No = , NS = TBC
- 1.5 Yes = , No = , NS = TBC
- 1.6 Yes = , No = , NS = TBC
- 1.7 Yes = , No = , NS = TBC