

TRANSPARENCY IN CORPORATE REPORTING

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TRANSPARENCY
INTERNATIONAL
Nederland

ASSESSING PUBLICLY LISTED
DUTCH COMPANIES

Transparency International (TI) is the global civil society organization leading the fight against corruption. Through more than 100 chapters worldwide and an international secretariat in Berlin, TI raises awareness of the damaging effects of corruption and works with partners in government, business, and civil society to develop and implement effective measures to tackle it.

Transparency International Nederland (TI-NL) is the Dutch Chapter of TI. TI-NL works with government, business, and civil society to put effective measures in place to tackle corruption and promote integrity.

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Research leads: Anne Scheltema Beduin and Dragana Vujkovic

Researchers: Vincent Coon, Vyvian van der Linden, Roman Palamarciuc and Dian Shuai (CEMS).

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of August 2016. Nevertheless, Transparency International Nederland cannot accept responsibility or legal liability for the accuracy, completeness or for the consequences of its use for other purposes or in other contexts.

The Transparency International Secretariat has assisted with advice and clarifications on methodology.

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HOW TRANSPARENT ARE DUTCH PUBLICLY LISTED COMPANIES?

ACP ANTI-CORRUPTION PROGRAMMES
 OT ORGANISATIONAL TRANSPARENCY
 CBC COUNTRY-BY-COUNTRY REPORTING

■ HIGH ■ MIDDLE ■ LOW TRANSPARENCY



An assessment of transparency in corporate reporting of 20 large and 9 small and medium-sized Dutch publicly listed companies.

¹ Note: Unilever is a member of the Institutional Integrity Forum of Transparency International Nederland. Royal Dutch Shell is a member of Transparency International's Business Principles Steering Committee. Other companies covered in this report may also provide support to Transparency International chapters worldwide.

3

companies

**KPN, ING and
Wereldhave
score at least
50% in all three
categories**

14

companies

**score less than
5 out of 10
overall**

27

companies

**fail to report on
community
contributions**

29

companies

**have
whistleblowing
protection in
place**

The average score for country-by-country reporting is 15 per cent, higher than the average 6 per cent in the 2014 report assessing the world's largest companies

INTRODUCTION

“How transparent are the largest and smallest publicly listed Dutch companies?”

Transparency International (TI) is the global civil society organization leading the fight against corruption. TI defines corruption as “the abuse of entrusted power for private gain”, and works against corruption in all its forms.² One of the ways to fight corruption is to promote transparency and integrity. This report of Transparency International Nederland (TI-NL), *Transparency in Corporate Reporting: Assessing Publicly Listed Dutch Companies*, evaluates the transparency of corporate reporting by the twenty largest and nine smallest publicly listed Dutch companies. By highlighting different practices and shortcomings in transparency in corporate reporting, TI-NL aims to contribute to the fight against corruption.

In our region of the world, corruption is an activity not considered to be common. For example, The Netherlands ranks fifth in the *Corruption Perception Index 2015* (CPI), an index that measures the perception of corruption in the public sector.³ Nevertheless, Dutch companies represent 3.1 per cent of the world’s export,⁴ ranking them among the most active exporting countries in the world. This entails that Dutch companies operate in countries of a wide variety on the corruption scale, from the top to the bottom of the CPI.

Corruption is a widespread phenomenon in international business transactions, including trade and investment. It raises serious moral and political concerns, undermines good governance and economic development, and distorts international competitive conditions.⁵ It is essential to recognize that cross-border bribery has enormous negative consequences for the populations of affected countries. Developed countries have both a self-interest and an obligation to devote the necessary resources to tackle this problem. Top priority should be given to cases of grand corruption involving (foreign) politicians and senior politicians. Not only is the largest damage done by grand corruption involving major contracts and permits, but failure to prevent grand corruption also has the most corrosive political and societal consequences.

Transparency in corporate reporting can serve as a proxy for determining how companies and other entities deal with corruption. Measuring these factors can further encourage companies to act against corruption by setting benchmarks and increasing the visibility of their activities. Transparent corporate

² See: <http://www.transparency.org/whatwedo> <last visited 19 September 2016>.

³ Transparency International, *Corruption Perceptions Index 2015*. Available via: <http://www.transparency.org/cpi2015#results-table> <last visited 19 September 2016>.

⁴ Transparency International, *Exporting Corruption – Progress Report 2015: Assessing Enforcement of the OECD Convention on Combatting Foreign Corruption* (2015), p. 12. Available via: http://www.transparency.org/exporting_corruption <last visited 19 September 2016>.

⁵ See: OECD Anti-bribery convention, preamble. Available via: http://www.oecd.org/daf/anti-bribery/ConvCombatBribery_ENG.pdf <last visited 19 September 2016>.

reporting further allows for increased monitoring by stakeholders and the public at large, thereby making companies more accountable.

As a part of this global effort, TI-NL assessed the transparency of the twenty largest multinational Dutch companies listed on the AEX index, and nine small and medium-sized multinational Dutch companies (SMEs) listed on the AMX index, with a maximum of 250 employees. By including SMEs, TI-NL aims to encourage them to raise the bar in terms of transparent corporate reporting and anti-corruption programs.

Although comprehensive and transparent reporting on anti-corruption does not assure that a company abstains from corrupt practices, it can be a strong indicator. Moreover, transparent reporting serves as a solid signal of commitment and willingness to act against corruption, and can be used to detect and address possible wrongdoing. For example, transparent corporate reporting allows stakeholders to have a clearer understanding of the extent of a company's operations and therefore the extent of their responsibilities.

The Dutch version of the Transparency in Corporate Reporting (hereinafter: TRAC) Report is based on the analysis of public information and focused on three dimensions of transparency:

- Reporting on Anti-Corruption Program (ACP): the company's anti-corruption program, covering bribery, facilitation payments, whistleblowing protection, political contributions, and training.
- Organizational Transparency (OT): Organizational information on subsidiaries and other ownership interests, including ownership share, country of incorporation, and countries of operations.
- Country-by-Country Reporting (CBC): Revenues, capital expenditures, taxation, and community contributions for all countries where the companies have operations.

The company selection was based on market value, international operations and domicile, and the location of headquarters within the Netherlands. The quality and availability of assessed companies' publicly accessed information were analyzed and scored on questions in the 2014 TRAC Codebook. After the data collection and first scoring, assessed companies were given two weeks to review their scores on each individual question and give feedback.

The questions and results from the individual dimensions can be found in the different sections of this report, along with the overall results in **Appendix II**.

In general, Dutch companies have displayed a relatively good performance in the transparency of their external reporting. Although the average score for country-by-country reporting is not very high, it is higher than most other assessed companies in the world. The average scores in reporting on anti-corruption programs and organizational transparency illustrate their efforts in anti-corruption programs and disclosure of organizational structure. It further indicates areas where companies can improve to achieve an even higher level of transparency.

By publishing this report, TI-NL documents the current level of transparency in reporting in the Dutch corporate space and informs direction through recommendations to stakeholders.

MAIN FINDINGS

Overall Index Result

Average score large companies: **5.1 / 10** Average score SMEs: **4.3 / 10**

- ◆ Most companies disclose their anti-corruption programs, but still lack disclosure of the full range of holdings and key financial information for each country of operations.
- ◆ Dutch companies score relatively well in comparison to companies assessed in other TRAC country studies (an average of 4.8 versus 3.8).
- ◆ The largest improvement opportunity lies in the dimension of country-by-country reporting (score of 1.5 out of 10), though this score is still higher than the world average assessed in 2014 (score of 0.6 out of 10).

Anti-Corruption Programs

Average score large companies: **80%** Average score SMEs: **40%**

- ◆ All assessed companies have whistleblowing policies in place.
- ◆ Most companies show commitment to comply with all relevant laws, including anti-corruption laws.
- ◆ Large companies have more formalized anti-corruption initiatives in place than SMEs.
- ◆ Improvement is necessary in the field of training and monitoring of anti-corruption programs.
- ◆ A little under half of the assessed companies explicitly prohibit facilitation payments.

Organizational Transparency

Average score large companies: **61%** Average score SMEs: **65%**

- ◆ Most companies limit information disclosure to fully consolidated holdings, falling short of the standard used by TI. This standard advocates for reporting on all subsidiaries, including non-fully consolidated holdings, such as associates and joint ventures.
- ◆ Eurocommercial properties, RELX and Boskalis score 100% in this dimension.

Country-by-Country reporting

Average score large companies: **12%** Average score SMEs: **24%**

- ◆ Most companies disclose financial information for selected countries or regions only.
- ◆ More than two thirds of companies score 10 per cent or lower on CBC; ten companies score zero per cent.
- ◆ Capital expenditure and community contributions are least reported regarding individual countries, whereas revenues, pre-tax income, and income tax are more often reported.

RECOMMENDATIONS

To global companies

- 1 Make your anti-corruption programs a public asset.** Companies messaging a statement or policy of zero-tolerance to corruption can be a powerful driver for good behavior. It informs the general public that preventive measures against corruption are in place and provides governance when conducting business. Corrupt activities damage society by creating unfair competition, increasing public costs, and contributing to environmental damage, economic instability, and human rights violations. Due to the large influence companies have on society, it is their responsibility to show a high standard of ethics, to refuse to engage in corrupt actions, and to counteract corruption in all areas of their business. Public commitments also increase accountability and enable monitoring by stakeholders with possible catalytic effects. Even though most assessed companies show commitment against corruption internally, more attention could be focused on getting the message across to a broader group of stakeholders.
- 2 Continuously improve your anti-corruption program through training and monitoring.** Anti-corruption programs are ideally far from static. On the contrary, such programs should be responsive to changes in the company's operating environment and therefore regularly monitored and reviewed for suitability, adequacy and effectiveness. A feedback mechanism, for example through employee and director training sessions, would ensure that transparency and integrity become embedded organizational values rather than a mere rhetoric from senior management.
- 3 Explicitly require compliance with the Code of Conduct from suppliers, agents, and other third parties.** For an anti-corruption program or Code of Conduct to take full effect, it is relevant to consider the company's wider network, covering suppliers, agents and other third parties. Engaging with your collaborators, and expecting more than solely compliance with the laws, can drive further improvement throughout the value chain.
- 4 Embrace complete and clear reporting practices on information related to company holdings.** Complete and clear reporting practices on company holdings information are relevant to anti-corruption as it informs stakeholders and the general public about the countries of operation, reveals organizational networks and ensures that the company is fully accountable in the countries where it is operating. Most assessed Dutch companies provide a list of their subsidiaries, associates and joint ventures. However, the list is not always exhaustive as especially individual countries of operations are often left undisclosed. Each company should disclose information on the company names, the owned shares in the company of the group, the country of incorporation, and information on the countries of operations (i.e., where and what kind of business it conducts).

Most companies only disclose the list of consolidated and not-consolidated subsidiaries to the Chamber of Commerce. As international investors, analysts, and other stakeholders can have difficulties gaining access to such information, it is recommended to include it in the annual report or publish it on the corporate website.

- 5 Publish financial information per country of operation instead of per region.** In general, Dutch companies published limited financial data on each country of operations and mostly clustered data by region rather than country. Financial transparency can have many positive effects on business, such as mitigation of political and reputational risk, and enhancement of investment certainty. Additionally, the availability of this data on country level would facilitate the monitoring of companies and their impact on local economic development, including accurate assessments by national tax authorities.

To governments and regulatory bodies

- 1 Emphasize the importance of an explicit and public statement of commitment to anti-corruption practices.** At present, there are many developments in further regulation of the subjects covered in this report. In the Netherlands, the revision of the Corporate Governance Code, the EU Transparency Directive, the implementation of the Directive on disclosure of non-financial and diversity information by certain large undertakings and groups and the future directive on public country-by-country reporting are examples of these developments. These new initiatives can raise the standards of company practice on public reporting.
- 2 Require companies to disclose all fully or non-fully consolidated subsidiaries and their related information such as country of incorporation, country of operations, and percentage of shares owned.** Most laws and regulations applying to publicly listed companies limit disclosure of holdings to material investments. This standard, although providing a starting point for improved transparency, often results in limited disclosure and can lead to the omission of many group holdings. An exhaustive list of related entities for each multinational company should be publicly available. Where such requirements already exist, they should be expanded and materiality thresholds removed, to ensure a complete picture of the company's operations across countries.
- 3 Establish a legal framework to encourage Dutch companies to disclose country-by-country financial information, especially revenues, capital expenditures, taxation, and community contributions.** As legislation on country-by-country reporting has already become a reality in a number of countries, the Dutch government should join this trend and level up expectations with companies regarding reporting standards. The new normal should be that companies across all industry sectors publish their financial accounts on a country-by-country basis.

To investors and analysts

- 1 Demand disclosure of information on anti-corruption programs, organizational information, and country-by-country financial information.** In order for investors and analysts to evaluate investment risks and make best choices towards responsible investments, they need to gain a full understanding of a company on all three studied dimensions of transparency: the company's anti-corruption program, organizational transparency, and financial data on a country-by-country basis. Such information should be available in user-friendly format.
- 2 Take transparency of organizational structures and country-by-country reporting into account in the analysis of potential investments.** These elements should become an essential part of risk ratings and corporate responsibility indices. When investors and analysts start taking anti-corruption indices into account in their analysis of potential investments, companies are inclined to take those indices into account as well. By feeling pressure from those indices, companies will be stimulated to obtain higher scores by further promoting transparency and anti-corruption efforts.

To civil society organizations

- 1 Promote transparency by enabling closer monitoring of corporate conduct.** Civil society organizations should advocate for easier access to company data which would enable closer monitoring of corporate conduct. Access to data makes it possible to more objectively evaluate the ethical behavior of companies. Such information can be used and analyzed with the objective of improving the standards of anti-corruption practices.
- 2 Advocate for a stronger commitment to transparency by companies.** Civil society organizations should aim towards an ongoing dialogue and actionable agenda with businesses to boost their efforts in improving transparency. Civil society organizations can provide companies with best practices, information about upcoming regulation and together build positive business cases.

METHODOLOGY

Transparency in Corporate Reporting: Assessing Publicly Listed Companies builds on Transparency International's existing work in combating corruption in the private sector. The methodology for this study has been previously used by Transparency International, notably in the July 2016 report *Transparency in Corporate Reporting: Assessing Emerging Market Multinationals* and the 2014 assessment of the top 124 global companies.

This study assesses twenty-nine companies. The main criteria applied for the company selection are: international operations, stock exchange listing, and domicile and headquarters in The Netherlands. This set of criteria led to the selection of twenty large companies listed on the AEX index (NYSE Euronext Amsterdam) and nine SMEs from the AMX index with a maximum of 250 employees (FTE).⁶ The rationale for choosing companies from both indexes has been to gain a better understanding of the differences in corporate reporting between large and small/medium sized companies.

Corporate reporting is measured on three dimensions that TI considers fundamental to achieving greater transparency: reporting on anti-corruption programs, organizational transparency, and country-by-country reporting.

In conducting the research, TI did not investigate the veracity or completeness of the published information and did not make any judgment about the integrity of the information or practices disclosed.

The methodology and data were shared with each of the companies. Companies had the opportunity to review and comment on these findings. Eventually, all feedback was incorporated into the final scorings.

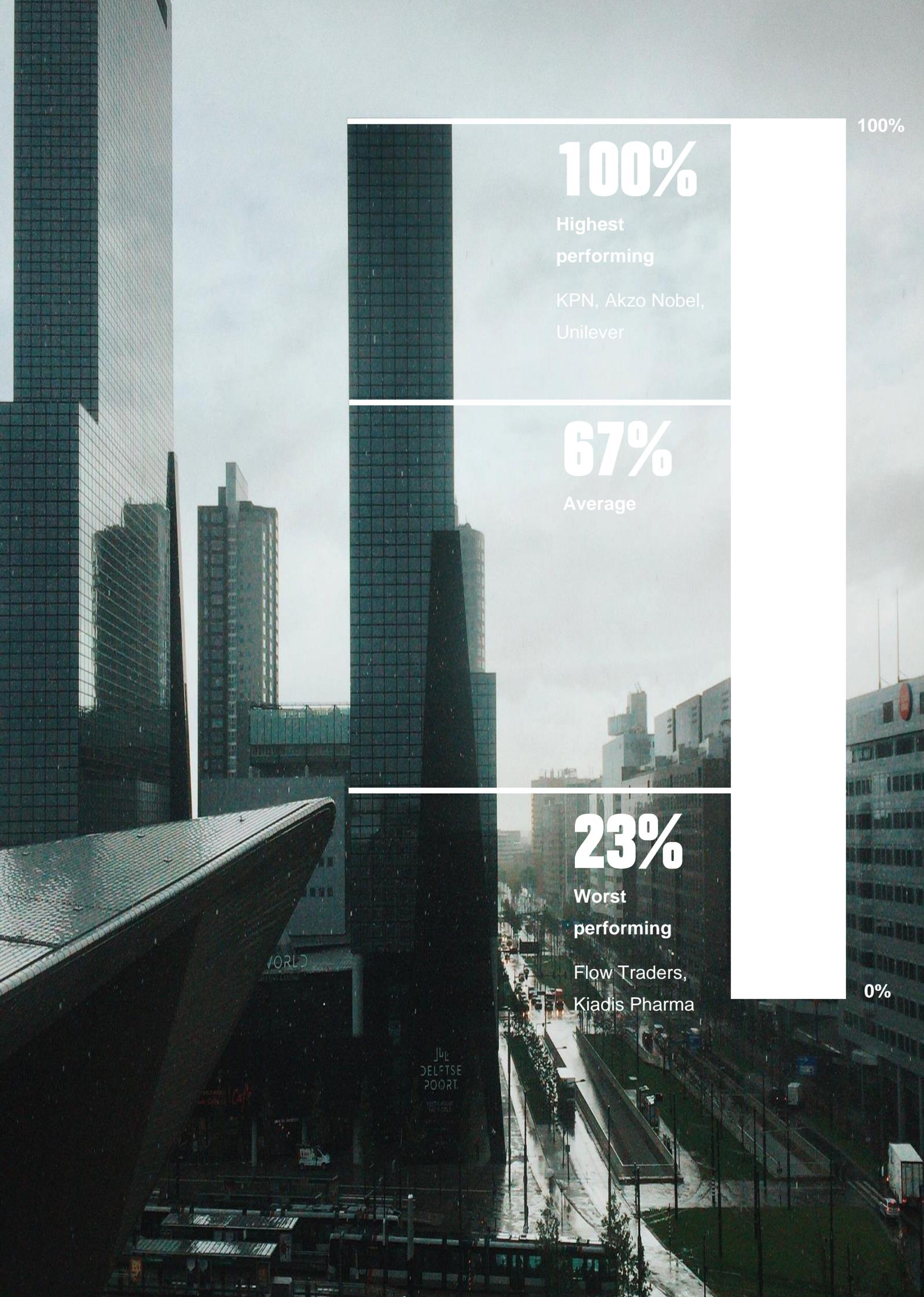
For a more detailed discussion of the methodology used for this report, please refer to the Transparency International website: www.transparency.org/corporate_reporting.

⁶ See AEX and AMX index, available via: <http://www.beurs.nl/indices/aex> (last visited 26 September 2016).



1

**REPORTING ON
ANTI-CORRUPTION
PROGRAMS**



100%

100%

Highest performing

KPN, Akzo Nobel, Unilever

67%

Average

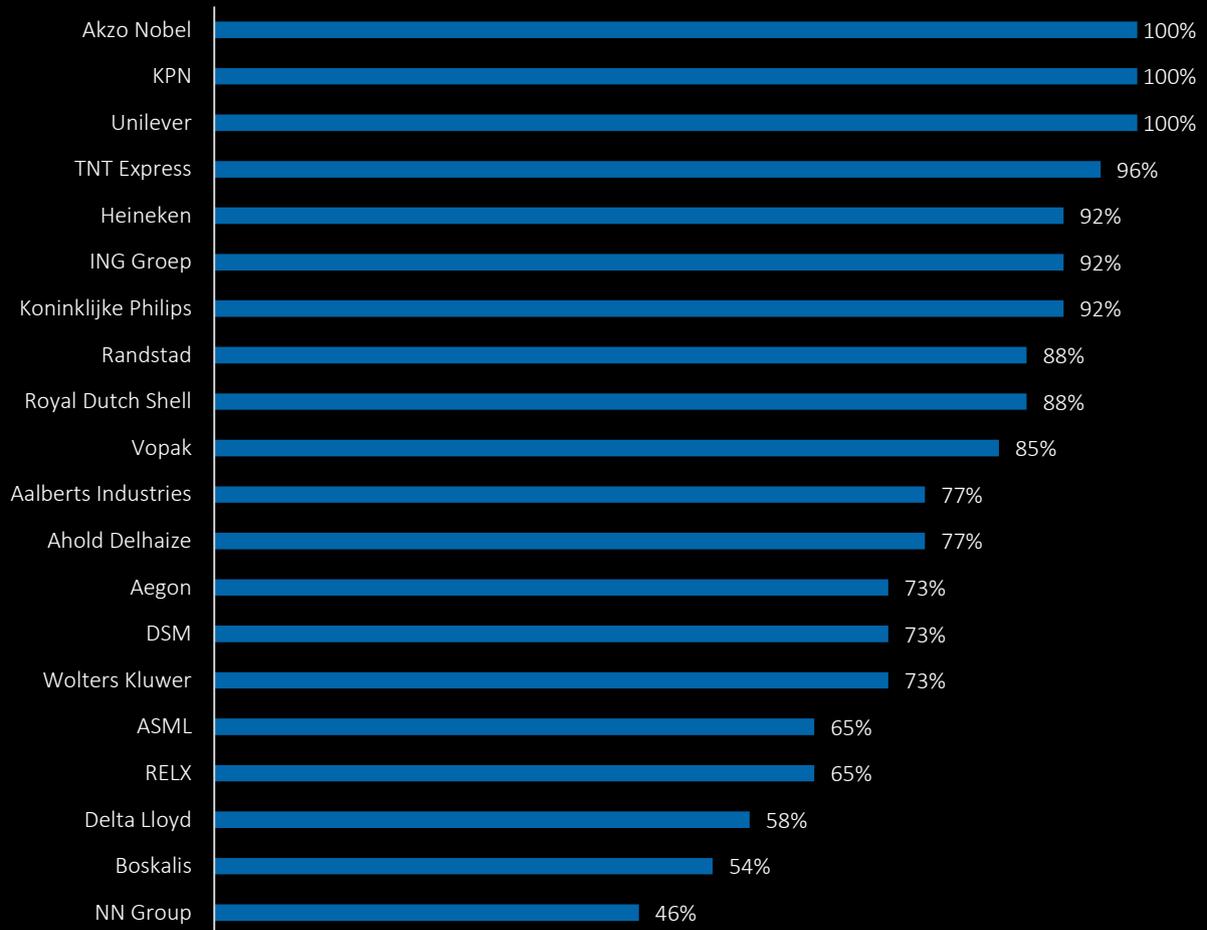
23%

Worst performing

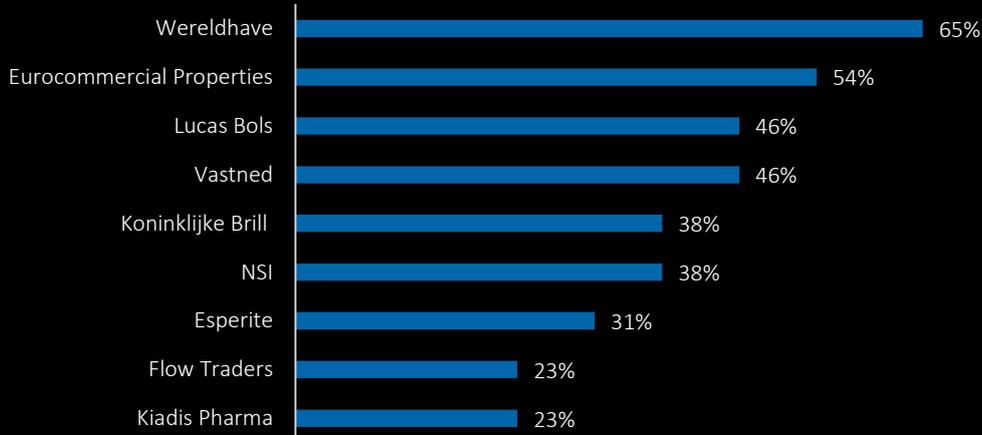
Flow Traders, Kiadis Pharma

0%

LARGE COMPANIES



SMEs



REPORTING ON ANTI-CORRUPTION PROGRAMS

Anti-corruption programs, fully implemented, and continuously monitored, can be a powerful means of protecting a company against the risk of bribery and corruption. This especially holds true in international business contexts, where exposure to corrupt activities is relatively high. Full and transparent disclosure of a company's anti-corruption program demonstrates a commitment to fighting corruption. Additionally, it increases a company's responsibility and accountability to stakeholders, and has a positive impact on its employees as it strengthens their anti-corruption attitudes.

The evaluation of corporate reporting on anti-corruption programs is based on 13 questions, which are derived from the UN Global Compact and Transparency International Reporting Guidance on the 10th Principle against Corruption. This includes clear recommendations on the aspects of a company's anti-corruption programs, which should be publicly disclosed.⁷ This Reporting Guidance was derived from the *Business Principles for Countering Bribery* and provides companies with structured and comprehensive information concerning thorough and consistent corporate reporting.⁸

Results: Large companies

The average score of large companies in this dimension is 80 per cent. The best performing companies are Akzo Nobel, KPN, and Unilever, which all achieved the maximum score of 100 per cent. We find NN Group at the bottom of the list with a score of 46 per cent. In the global TRAC report of 2014, the companies included achieved a lower average of 70 per cent.

Taking a closer look at the results of individual questions (**Table 1**), large companies scored best on whistleblowing policies and making sure employees are able to raise their concerns without risk of reprisal. Large companies fairly demonstrated commitment to comply with all relevant laws, including anti-corruption laws, although not all companies share this information publicly. Only fourteen out of twenty companies have a publicly stated commitment to anti-corruption.

The questions scoring the least points relate to training and regular monitoring. Only seven out of twenty companies have anti-corruption trainings in place and eight out of twenty companies apply regular monitoring to their anti-corruption program to review the program's suitability, adequacy and effectiveness, and implement improvements as appropriate.

⁷ UN Global Compact, available via: www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf (last visited 26 September 2016).

⁸ See Transparency International's website, available via: www.transparency.org (last visited 26 September 2016).

REPORTING ON ANTI-CORRUPTION PROGRAMS: ANALYSIS BY QUESTION LARGE COMPANIES			
Question	1 point	0.5 points	0 points
Anti-corruption commitment	14	6	0
Compliance with laws commitment	20	0	0
Leadership support	17	0	3
Code applies to all employees and directors	14	6	0
Code applies to agents	11	0	9
Code applies to suppliers	12	5	3
Training program for employees and directors	7	12	1
Gifts, hospitality, and expenses	17	2	1
Prohibition of facilitation payments	11	0	9
Employees can raise concerns	20	0	0
Whistleblowing policy	20	0	0
Regular program monitoring	8	2	10
Political contributions	15	0	5

Table 1

Results: SMEs

The average score of SMEs reporting on anti-corruption programs is 40 per cent. The best performing SME is Wereldhave, with a score of 65 per cent, followed by Eurocommercial Properties, with a score of 54 per cent. The other SMEs did not reach a score of 50 per cent. Kiadis Pharma and Flow Traders are at the bottom of the list, with a total score of 23 per cent.

Table 2 shows that similar to large companies, SMEs scored best on whistleblowing policies, enabling employees to raise concerns without risk of reprisal, and their commitment to comply with all relevant laws, including anti-corruption laws.

Contrary to the large companies, only three out of nine SMEs have a publicly stated commitment to anti-corruption. None of the SMEs show specific leadership support for anti-corruption.

Other low scoring questions are: “Code applies to agents”, “Code applies to suppliers”, “Regular program monitoring”, and “Prohibition of facilitation payments”. None of the SMEs state that their code also applies to agents and/or suppliers. Moreover, only one out of nine SMEs applies regular monitoring to their anti-corruption program. The same goes for the prohibition of facilitation payments.

REPORTING ON ANTI-CORRUPTION PROGRAMS: ANALYSIS BY QUESTION SMEs			
Question	1 point	0.5 points	0 points
Anti-corruption commitment	3	3	3
Compliance with laws commitment	7	0	2
Leadership support	0	0	9
Code applies to all employees and directors	3	2	4
Code applies to agents	0	0	9
Code applies to suppliers	0	1	8
Training program for employees and directors	2	0	7
Gifts, hospitality, and expenses	6	1	2

Prohibition of facilitation payments	1	0	8
Employees can raise concerns	8	0	1
Whistleblowing policy	9	0	0
Regular program monitoring	1	0	8
Political contributions	3	0	6

Table 2

Separate questions results (overall)

When comparing the top ranking questions in the Netherlands with the top ranking questions of the global 2014 TRAC report, we find there are relevant differences. For example, the question concerning anti-corruption training in place for employees and directors ranked seventh best in the global report. This question scored rather poorly among Dutch companies. To show that companies are aware of the importance of ethical behaviour, TI-NL recommends that companies encourage and educate their employees and senior management via specific anti-corruption training. Additionally, the question concerning leadership support for anti-corruption scored rather poorly among Dutch companies, but rather well among the companies assessed in the global 2014 report. In this study, 55 per cent of the companies received the full score, compared to 78 per cent of the companies in the global report.

As shown in **Table 3**, companies scored lowest on regular monitoring of anti-corruption program, as well as whether the Code of Conduct applies to non-controlled persons or entities that provide goods or services under contract (contractors, subcontractors, suppliers). Only eight (28 per cent) and ten companies (34 per cent) achieved the full score for monitoring and third party application of the Code of Conduct respectively. By comparison, more than half of the companies in the global 2014 report scored full marks on these questions (65 per cent and 58 per cent respectively).

TI-NL advises companies to set up a monitoring plan for anti-corruption policies, as well as to either include the required commitment of these third parties in the Code of Conduct, or set up a separate Code of Conduct for suppliers and agents. Out of twenty-nine companies, eleven companies (38 per cent) received a score of 0.5 points. These companies only encouraged their suppliers to comply with the Code of Conduct, or did not fulfil all elements required to receive the full score, such as due diligence and monitoring.

Within the twenty-nine companies analyzed, thirteen companies (45 per cent) explicitly prohibit facilitation payments. Although there is still room for improvement, the Dutch results are in line with the global 2014 report, where a similar percentage of 45 per cent was scored. When we only take the Dutch large companies in this study into account, eleven out of twenty (55 per cent) of them prohibit facilitation payments.

REPORTING ON ANTI-CORRUPTION PROGRAMS: ANALYSIS BY QUESTION OVERALL			
Question	1 point	0.5 points	0 points
Anti-corruption commitment	17	9	3
Compliance with laws commitment	27	0	2
Leadership support	17	0	12
Code applies to all employees and directors	17	8	4
Code applies to agents	11	0	18
Code applies to suppliers	12	6	11
Training program for employees and directors	9	12	8
Gifts, hospitality, and expenses	23	3	3
Prohibition of facilitation payments	12	0	17
Employees can raise concerns	28	0	1
Whistleblowing policy	29	0	0
Regular program monitoring	9	2	18
Political contributions	18	0	11

Table 3

Comparison between large companies and SMEs

The results show a disparity between SMEs and large corporations in terms of scoring. The large multinationals in this study undoubtedly outperformed SMEs with more information publicly available on corruption matters. Large companies scored 80 per cent on average, whereas the average score of the SMEs is 40 per cent.

Certain patterns were identified for SME's in terms of positive as well as negative practices. First of all, SME's management teams do not publicly mention their support for anti-corruption practices. Another observation is that all but one SMEs do not have information online regarding their suppliers and subcontractors, meaning that their public policies do not explicitly apply to external parties that are employed by the company.

The same holds true for anti-corruption training programs and regular monitoring of their anti-corruption programs, where SMEs scored zero points. This means SMEs do not publicly mention the existence of training programs that cover anti-corruption policies. Information regarding "Facilitation payments" and "Political Contributions" was also absent for the majority of SMEs.

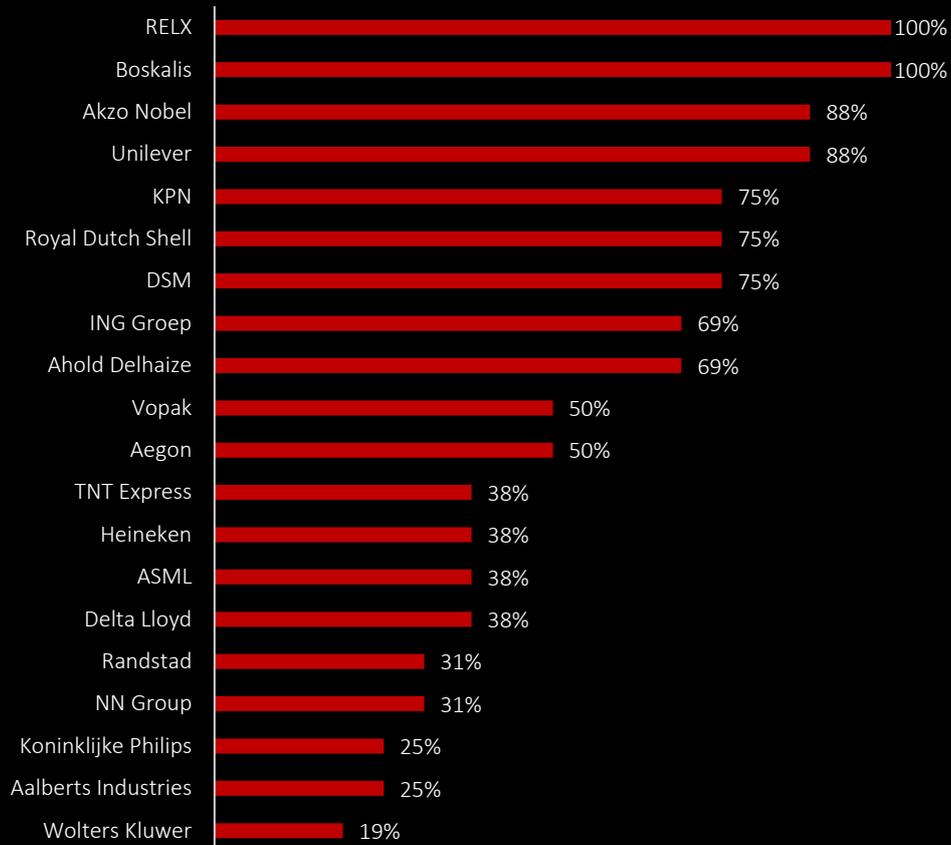
Regarding the positive trends, it can be mentioned that most of the SMEs have "whistleblowing policies" in place, as well as "policies on gifts". Furthermore, we received feedback that some SMEs actually do have (more) specific anti-corruption policies and commitments in place, but these are only communicated internally and are not publicly available (yet).



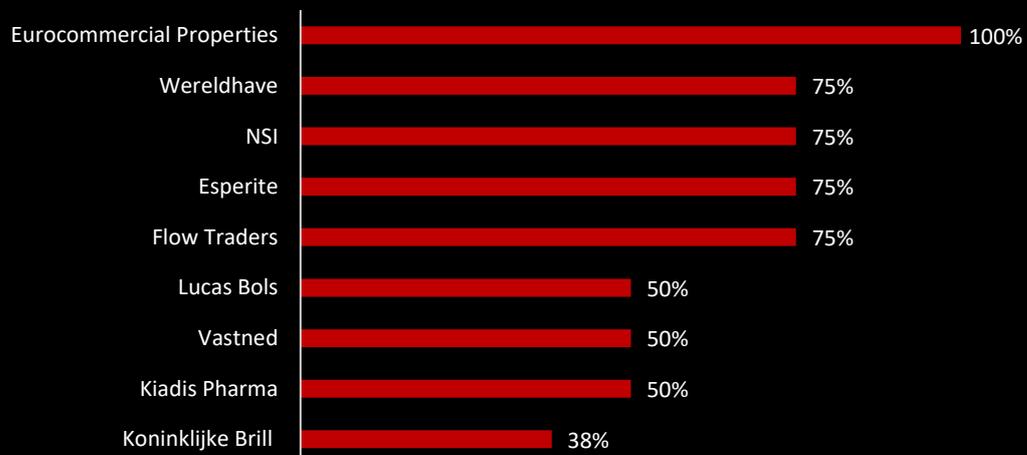
2

**ORGANIZATIONAL
TRANSPARENCY**

LARGE COMPANIES



SMEs



ORGANIZATIONAL TRANSPARENCY

Multinational companies typically have numerous subsidiaries in different countries and also other ownership interests such as associated companies, joint-ventures or other holdings. These entities are registered and operational in several countries, sometimes including secrecy jurisdictions or tax havens.

The Organizational Transparency dimension looks at how transparent companies are in disclosing information about fully consolidated subsidiaries, as well as non-fully consolidated holdings, such as associates and joint ventures. Companies should disclose a full list with names, the percentages owned in each of the subsidiaries and/or holdings, countries of incorporation for each entity, and the countries of operations for each entity.

Organizational transparency helps society, including important stakeholders, to gain insight into the companies' controlling interests and responsibilities between companies. Citizens are becoming increasingly interested to know to which international networks companies belong and how these companies relate to one another. Moreover, it reveals potential financial flows between the network of companies, intra-group transfers, and government payments such as taxes. Disclosing information about the interconnectedness of companies can further facilitate the process of finding out which parent company is responsible for the businesses in terms of ethical and corruption-free behavior.

Local stakeholders would benefit from knowing which companies are operating in their territories, bidding for government licenses or contracts, or having applied for or obtained favorable tax treatment. Especially in the developing world, where the public and private sector often fall short of being open and transparent, companies can have a positive influence on the level of information available to the public and other stakeholders, and help it to fulfil its overseeing role.

Results: Large companies

The average result for large Dutch companies on the Organizational Transparency dimension is 61 per cent. The best performing companies are Boskalis and RELX, both with a score of 100 per cent. Koninklijke Philips is at the bottom of the list, with a score of only 25 per cent. In the study, fourteen out of twenty (70 per cent) large companies scored equal to or above 50 per cent, leaving six companies to score below 50 per cent.

Results: SMEs

The average result of Dutch SMEs on Organizational Transparency is 65 per cent, which is slightly higher than the average of the large companies. The best performing SME is Eurocommercial Properties, with a score of 100 per cent. Koninklijke Brill is at the bottom of the list, with a score of only 38 per cent. Six out of nine SMEs (67 per cent) scored equal to or above 50 per cent. Only one SME completely disclosed information about fully consolidated subsidiaries, as well as non-fully consolidated holdings, such as associates and joint ventures.

Comparison between large companies and SMEs

Based on the abovementioned information, there does not appear to be a significant relation between the size of the company in terms of market value and the level of organizational transparency. Regardless of the size of the company, Dutch companies seem to disclose their subsidiaries and holdings fairly well. As will be seen in the next section, reporting on country operations of consolidated subsidiaries and non-fully consolidated holdings remains a weak point for both large companies and SMEs.

Despite the fact that the level of organizational transparency of the Dutch companies in this study is average, TI-NL encourages all Dutch companies to improve their organizational transparency in terms of disclosing a full list, including ownership percentages, of both fully consolidated subsidiaries, as well as non-fully consolidated subsidiaries.

REPORTING ON ORGANIZATION TRANSPARENCY: ANALYSIS BY QUESTION				
Question	1 point	0.5 points	0 points	N/A
List of names of each consolidated subsidiary	24	4	1	-
Percentage owned of each consolidated subsidiary	23	5	1	-
Country of incorporation of each consolidated subsidiary	21	2	1	-
Country of operations of each consolidated subsidiary	8	6	15	-
List of names of non-fully consolidated holdings	15	4	9	1
Percentage owned of non-fully consolidated holdings	15	3	10	1
Country of incorporation of non-fully consolidated holdings	14	0	14	1
Country of operations of non-fully consolidated holdings	4	3	21	1

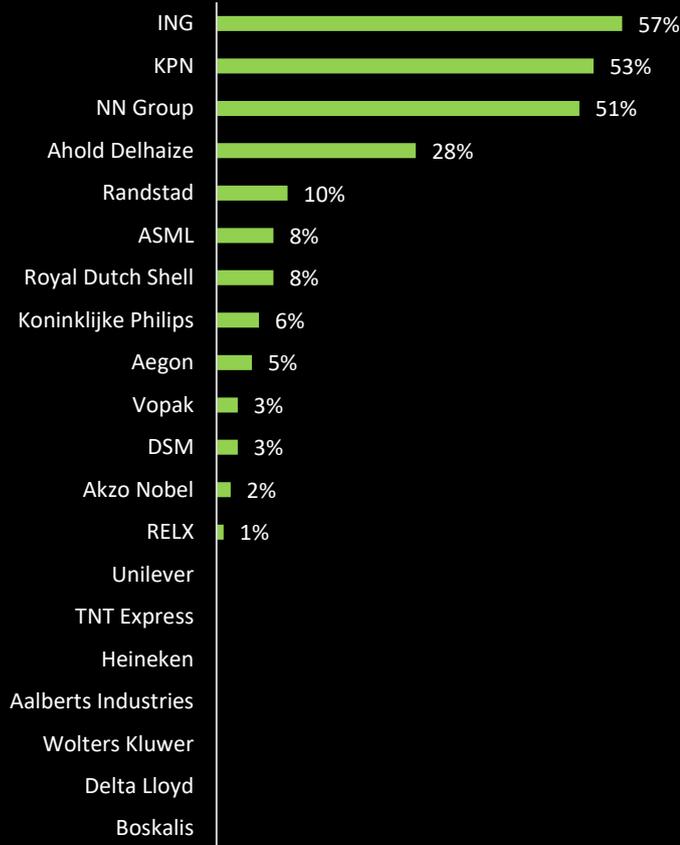
Table 4



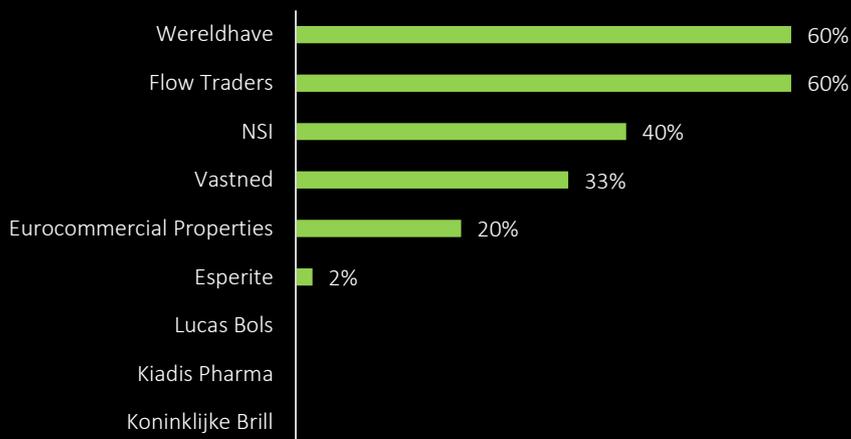
3

**COUNTRY-
BY-COUNTRY
REPORTING**

LARGE COMPANIES



SMEs



COUNTRY-BY-COUNTRY REPORTING

This final dimension assesses the level of country-by-country reporting (CBCr) on basic financial data. Companies should disclose a full list of consolidated subsidiaries, as well as revenues, capital expenditures, pre-tax income, income tax, and community contributions in all countries they operate or have a presence.

CBCr helps to expose the link between the parent company and the local jurisdiction in which it operates, thereby ensuring full accountability in all countries of operations. It enables citizens to monitor the appropriateness of payments towards their government. In addition, CBCr provides investors with more comprehensive financial information about companies and helps them assess possible investment risks more effectively. Finally, CBCr allows transparency on any special arrangements between governments and companies, resulting in greater accountability for both parties.

Results: Large companies

The average score on CBCr is 12 per cent, reflecting the weakest performance of the three dimensions assessed in this report.

The best performing company is ING Groep, with a score of 57 per cent. Almost half of the companies have a score equal to zero, meaning they do not disclose any financial information concerning individual countries. Perhaps it is not surprising that two out of the top three companies operate in the financial sector, since the EU Transparency Directive already obliges EU credit institutions to report certain financial information on a country-by-country basis.

Results: SMEs

The average score of SMEs in this dimension is 24 per cent, which is twice the average of the large companies. Still, SMEs, just as large companies, score weakest on the country-by-country reporting dimension compared to the other dimensions.

Two companies are on top of the list with a score of 60 per cent: Wereldhave and Flow Traders. The other companies score lower than 50 per cent. Three companies (Lucas Bols, Kiadis Pharma, and Koninklijke Brill) have a score of zero.

Results (overall)

When looking closer at the individual scores for reporting on a country's revenue, capital expenditure, pre-tax income, income tax, and community contributions, several trends can be seen. Capital expenditure and community contributions are least reported for individual countries, whereas revenues, pre-tax income, and income tax are more often reported on (see **Table 5** below). Revenues are most often reported, but still not for every individual country of operation.

Remarkable is that only two out of twenty-nine companies disclose community contributions. TI-NL encourages Dutch companies with international operations to significantly improve their CBCr, especially with regards to community contributions and capital expenditure.

COUNTRY-BY-COUNTRY REPORTING: SCORES PER SECTION		
Section (X)	Average point	Number of companies that disclose (X) for some countries
Revenues	0,25	18
CAPEX	0,10	7
Pre-tax income	0,19	10
Income tax	0,69	12
Community contributions	0,02	2

Table 5

While the results for CBCr are rather low, the reporting on operations in the home countries (countries of incorporation) is slightly better. These scores are not included in the total assessment, because this dimension of transparency focuses on operations abroad. If the scores of home countries had been included, the average score among all companies would have been 18 per cent. Since reporting on operations in the country of incorporation seems to be good practice for Dutch companies, TI-NL encourages these companies to expand their reporting to operations abroad.

An interesting finding was that some companies break down data by regions or continents instead of countries. Although these companies did not receive the full score for this method of reporting, it does present an important step towards total transparency in their CBCr practice.

When comparing this to the global 2014 TRAC report, there are some similarities. Performance on CBCr is weak in the global reports as well. Most companies disclose financial information for selected countries only. Additionally, revenues are most often disclosed, whereas pre-tax profits are least often disclosed.

Comparison between large companies and SMEs

Based on the abovementioned information, we can conclude that there is no clear disparity in results between SMEs and large companies. Two out of the top ten companies are SMEs, while half of the bottom ten companies are also SMEs. The average score among the nine SMEs is 24 per cent, whereas the average score among the twenty large companies is 12 per cent.

The fact that SMEs receive a higher average score might be caused by the SMEs' limited operations abroad, making it slightly easier to score well in this dimension. Nevertheless, there are also SMEs with limited operations abroad, that still score poorly with regard to CBCr, and large companies with many operations abroad that do commit to CBCr. Since it is foreseeable that for some companies CBCr will become obligatory under EU law, TI-NL recommends companies to improve their reporting in this dimension.

FEEDBACK COMPANIES

Anti-Corruption Policies

Thirteen companies provided feedback on their score on the Anti-Corruption Programs dimension, which led to score adjustments for nine companies. Most adjustments were based on:

- Updates of certain policies or corporate documents;
- Online publication of documents or policies, which were previously only available internally.

The average percentage change in score for these nine companies was an 11 per cent increase. Three of these companies increased their score to 100 per cent within the two-week feedback period.

TI-NL is grateful for the strong engagement of the companies, and encourages companies to continue updating and improving their corporate reporting with regards to anti-corruption practices.

Organizational Transparency

Six companies provided feedback on their score on the Organizational Transparency dimension, which led to score adjustments for three companies. Adjustments were based on publication or updating of documentation during the two-week feedback period. The average percentage change was a 21 per cent increase.

Country-by-Country Reporting

Five companies in total provided feedback on the country-by-country dimension, which led to score adjustments for two companies. The average percentage change was a 24 per cent increase of their score. One company sold off operations in one country. Therefore, this country should not be counted in the total of foreign countries of operations. The increase in percentage is therefore mainly due to a lower division value in the calculation of the country-by-country score.

COMPARISONS WITH OTHER TRAC REPORTS

This section provides a comparison of the Dutch TRAC report with a selection of other TRAC reports. The percentages of large companies and SMEs respectively are shown between brackets. Additionally, the study sizes (i.e. the amount of companies included in the study) vary.

	TRAC NETHERLANDS 2016	TRAC DENMARK 2016 ⁹	TRAC GLOBAL 2014 ¹⁰	TRAC NORWAY 2013 ¹¹	TRAC GLOBAL 2012 ¹²
Dimension	Percentage average (large; SMEs)	Percentage	Percentage	Percentage	Percentage
ACP	67% (80%; 40%)	75%	70%	54%	68%
OT	55% (57%; 53%)	89%	39%	67%	72%
CBC	16% (12%; 24%)	3%	6%	8%	4%
Overall Index	46% (50%; 41%)	56%	38%	43%	48%

Table 6

The results in **Table 6** give rise to the following analysis. First of all, *large* Dutch companies perform better on Anti-Corruption Programs than all other assessed large companies with an average score of 80 per cent.

On the Organizational Transparency dimension, Dutch companies are outperformed by almost all companies included in the other TRAC reports, except for the multinationals in the TRAC-global 2014 report. This finding does not change much when considering the different averages of large companies and SMEs.

In contrast, Dutch companies outperform the companies included in the other TRAC reports by far on the country-by-country dimension. As one might expect, SMEs lead the score with 24 per cent. This can be explained by the fact that SMEs generally operate in less countries than the larger companies assessed.

When looking at the overall index score, it becomes apparent that Dutch companies perform averagely compared to other companies. Danish companies rank higher, though it should be noted that this is the second time Danish companies were subjected to the TRAC study. Therefore, Danish companies were better aware of shortcomings and able improve their performance. Furthermore, comparing results might be slightly distorted because of the SMEs included in this study.

⁹ TI Denmark, *Transparency in Corporate Reporting: Assessing the Largest Listed and Non-listed Danish Companies* (2016). Available via: <http://transparency.dk/trac2016/> <last visited 7 October 2016>.

¹⁰ TI, *Transparency In Corporate Reporting: Assessing The World's Largest Companies* (2014). Available via: http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_worlds_large_st_companies_2014 <last visited 7 October 2016>.

¹¹ TI Norway, *Transparency in Corporate Reporting: Assessing Large Companies on Oslo Stock Exchange* (2013). Available via: http://www.transparency.no/wp-content/uploads/sites/10/transparancy-in-corpore-reporting_web.pdf <last visited 7 October 2016>.

¹² TI, *Transparency In Corporate Reporting: Assessing The World's Largest Companies* (2012). Available via: http://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_the_worlds_largest_companies <last visited 7 October 2016>.

APPENDICES

I. The Three Dimensions of Transparency in Corporate Reporting

Reporting on anti-corruption programs (ACP)

- 1 Does the company have a publicly stated commitment to anti-corruption?
- 2 Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?
- 3 Does the company leadership (senior member of management or board) demonstrate support for anti-corruption?
- 4 Does the company's Code of Conduct / anti-corruption policy explicitly apply to all employees and directors?
- 5 Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorized to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?
- 6 Does the company's anti-corruption program apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?
- 7 Does the company have in place an anti-corruption training program for its employees and directors?
- 8 Does the company have a policy on gifts, hospitality and expenses?
- 9 Is there a policy that explicitly prohibits facilitation payments?
- 10 Does the program enable employees and others to raise concerns and Report violations (of the program) without risk of reprisal?
- 11 Does the company provide a channel through which employees can Report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous Reporting (whistleblowing)?
- 12 Does the company carry out regular monitoring of its anti-corruption program to review the program's suitability, adequacy and effectiveness, and implement improvements as appropriate?

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

Organizational Transparency (OT)

- 1** Which of the following information does the company disclose for all of its fully consolidated subsidiaries:
- The full list with names
 - Percentages owned in each of them
 - Countries of incorporation (for each entity)
 - Countries of operations (for each entity)
- 2** Which of the following information does the company disclose for all of its non-fully consolidated holdings, such as associates, joint-ventures:
- The full list with names
 - Percentages owned in each of them
 - Countries of incorporation (for each entity)
 - Countries of operations (for each entity)

Country-by-country reporting (CBC)

- 1** In which countries does a company operate?
- 2** For which countries does the company disclose its revenues / sales?
- 3** For which countries does the company disclose its capital expenditure?
- 4** For which countries does the company disclose its pre-tax income?
- 5** For which countries does the company disclose its income tax?
- 6** For which countries does the company disclose its community contributions?

II. Data Table

COMPANY'S SCORES ON THE DIFFERENT DIMENSIONS								
Full Company Name	Size	Industry	ACP	OT	CBC	Average Percentage	Total Index	Provided Feedback
Aalberts Industries N.V.	Large	Financials	77%	44%	0%	40%	4,0	
Aegon N.V.	Large	Technology	73%	50%	5%	43%	4,3	yes
[Koninklijke] Ahold Delhaize N.V.	Large	Consumer Goods	77%	69%	28%	58%	5,8	yes
Akzo Nobel N.V.	Large	Chemicals	100%	88%	2%	63%	6,3	yes
ASML Holding N.V.	Large	Technology	65%	38%	8%	37%	3,7	
Delta Lloyd N.V.	Large	Financials	58%	38%	0%	32%	3,2	yes
Esperite N.V.	SME	Healthcare	31%	75%	2%	36%	3,6	
Eurocommercial Properties N.V.	SME	Financials	54%	100%	20%	58%	5,8	
Flow Traders N.V.	SME	Financials	23%	75%	60%	53%	5,3	yes
Heineken N.V.	Large	Consumer Goods	92%	38%	0%	43%	4,3	yes
ING Groep N.V.	Large	Financials	92%	69%	57%	73%	7,3	yes
Kiadis Pharma N.V.	SME	Pharmaceuticals	23%	50%	0%	24%	2,4	
Koninklijke Boskalis Westminster N.V.	Large	Industrial	54%	100%	0%	51%	5,1	yes
Koninklijke Brill NV	SME	Consumer Services	38%	38%	0%	25%	2,5	
Koninklijke DSM N.V.	Large	Chemicals	73%	75%	3%	50%	5,0	
Koninklijke Philips N.V.	Large	Technology	88%	25%	6%	40%	4,0	yes
Koninklijke PTT Nederland N.V. (KPN)	Large	Telecommunications	100%	75%	53%	76%	7,6	yes
Koninklijke Vopak N.V.	Large	Logistics	85%	50%	3%	46%	4,6	
Lucas Bols N.V.	SME	Consumer Goods	46%	50%	0%	32%	3,2	
NN Group N.V.	Large	Financials	46%	63%	51%	53%	5,3	yes
Nieuwe Steen Investments N.V. (NSI)	SME	Financials	38%	75%	40%	51%	5,1	
Randstad Holding nv	Large	Professional services	92%	50%	10%	51%	5,1	yes
RELX N.V.	Large	Consumer Services	65%	100%	1%	55%	5,5	
Royal Dutch Shell	Large	Oil & Gas	88%	75%	1%	54%	5,4	
TNT Express N.V.	Large	Consumer Services	96%	38%	0%	45%	4,5	
Unilever N.V.	Large	Consumer Goods	100%	88%	0%	63%	6,3	yes
Vastned Retail NV	SME	Financials	46%	50%	33%	43%	4,3	
Wereldhave NV	SME	Real Estate	65%	75%	60%	67%	6,7	
Wolters Kluwer N.V.	Large	Consumer Services	73%	38%	0%	37%	3,7	

Table 7

Transparency International Nederland
Royal Tropical Institute building
Mauritskade 63
1092 AD Amsterdam

asb@transparency.nl
www.transparency.org & www.transparency.nl

blog.transparency.org
facebook.com/transparencyinternational
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twitter.com/transparencynl