

TRANSPARENCY IN CORPORATE REPORTING

ASSESSING DUTCH PUBLICLY LISTED COMPANIES



TRANSPARENCY
INTERNATIONAL
Nederland

Transparency International (TI) is the global civil society organisation 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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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 December 2018. 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.

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HOW TRANSPARENT ARE DUTCH PUBLICLY LISTED COMPANIES?*

LARGE COMPANIES	ACP*	OT*	CBC*	TOTAL
	%	%	%	
NN GROUP	92	100	51	8.1
KPN	100	38	60	6.6
ABN AMRO	100	38	60	6.6
ING GROUP	88	50	57	6.5
SHELL	100	75	9	6.1
ALTICE	73	75	25	5.8
RELX	88	81	0	5.7
RANDSTAD	88	50	15	5.1
UNILEVER	100	50	0	5.0
HEINEKEN	100	44	6	5.0
AKZO NOBEL	100	44	1	4.8
ASML	85	50	8	4.8
PHILIPS	92	44	6	4.6
AEGON	88	38	3	4.3
DSM	69	56	3	4.3
VOPAK	85	38	0	4.1
AHOLD	65	38	7	3.7
AALBERTS INDUSTRIES	69	38	0	3.6
WOLTERS KLUWER	77	19	0	3.2
BOSKALIS	54	38	0	3.0

SMALL AND MEDIUM ENTERPRISES	ACP	OT	CBC	TOTAL
	%	%	%	
WERELDHAVE	85	100	80	8.8
EUROCOMMERCIAL PROPERTIES	42	88	35	5.5
FLOW TRADERS	54	63	40	5.2
VASTNED	46	75	32	5.1
KIADIS PHARMA	62	75	0	4.6
BRILL	58	75	0	4.4
PHARMING GROUP	38	75	32	3.9
LUCAS BOLS	38	44	1	2.8
ESPERITE	31	38	0	2.3

* **NOTE:** ABN AMRO, Randstad and Unilever are members of the Institutional Integrity Forum of Transparency International Nederland. Other companies covered in this report may also provide support to Transparency International chapters worldwide.

* ACP = Anti-Corruption Programmes; OT = Organisational Transparency; CBC = Country-by-Country-Reporting

I. INTRODUCTION

Transparency International (TI) is the global civil society organisation 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. 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 twenty large and nine small and medium-sized publicly listed Dutch companies. By highlighting best 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 not considered to be common practice. To give an example, The Netherlands ranked 8th on the *Corruption Perceptions Index (CPI) 2018*, an index that measures the perception of corruption in the public sector.¹ This means that the Netherlands has (relatively) low levels of perceived corruption. Moreover, the Dutch have consistently ranked in the top 10 of the CPI since 2006. Even though the Netherlands is a relatively small country, ranking 134th worldwide based on surface area, it is the 8th largest importing and exporting country of the world.² Dutch corporations do a lot of business with and in countries that experience levels of corruption that are perceived to be vastly higher than the level perceived at home. For this reason, it is important to evaluate the anti-corruption and compliance measures that Dutch multinationals employ.

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. 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 – such as being a signatory to the UN Convention against Corruption³ – to devote the necessary resources to accurately tackle this problem. Top priority should be given to corruption cases involving major public contracts and permits, as failing to prevent this type of 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. Although comprehensive and transparent reporting on anti-corruption does not assure that a company completely abstains from corrupt practices, it can be a strong indicator of a healthy corporate culture. 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(s). Transparent corporate reporting further allows for increased monitoring by stakeholders and the public at large, thereby holding companies more accountable for what they do and what they do not do.

As a part of the global effort to fight corruption, TI-NL assessed the transparency of twenty-nine Dutch multinationals corporations. We compiled a list of twenty of the largest companies listed on the Euronext Amsterdam. Our research includes corporations from the AEX

¹ Transparency International, *Corruption Perceptions Index* (2018). Available at: <https://www.transparency.org/cpi2018>

² The Observatory of Economic Complexity, *The Netherlands* (2017). Available at: <https://atlas.media.mit.edu/en/profile/country/nld/>

³ The United Nations Convention against Corruption has 186 State Parties (2018). Available at: <https://www.unodc.org/unodc/en/corruption/ratification-status.html>

(Amsterdam Exchange Index), the AMX (Amsterdam Midcap Index) and AScX (Amsterdam Small cap Index) indices, resulting in the assessment of both large corporations as well as small and medium-sized enterprises (SMEs).⁴⁵⁶ TRAC 2018 includes most of the corporations featured TRAC 2016. However, due to mergers and acquisitions some corporations could not be assessed anymore. This allowed us to introduce new additions to the list. In chapter IV on the applied methodology, the selection of companies is further clarified.

The Transparency in Corporate Reporting report is based on the analysis of public information and focuses on three dimensions of transparency:

- Anti-Corruption Programmes (ACP): the company's anti-corruption programme, covering bribery facilitation payments, whistleblowing protection, political contributions and training;
- Organisational Transparency (OT): organisational information on subsidiaries and other ownership interests, including ownership share, country of incorporation and countries of operations;
- Country-by-Country Reporting (CbCR): revenues, capital expenditures, taxation and community contributions for all countries where the company has operations.

After the first round of data collection, the assessed companies were given the opportunity to review their scores on individual questions and provide TI-NL with feedback. This gave companies the opportunity to improve, helped to prevent interpretation issues that might occur, and gave corporations insight in what we think should be improved in their publicly available documents. Appendix II provides an overview of which companies made use of this opportunity. The questions and results on all three dimensions per company can also be found in Appendix II.

The recommendations for each of the three dimensions supported by the results of the evaluation of Dutch publicly listed companies can be found in the different sections of this report. Further explanation on the three dimensions is offered in chapter IV - Methodology

In general, we found that the level of transparency in corporate reporting is comparable to the results of TRAC 2016. Dutch companies have displayed a relatively high performance in the transparency of their external reporting. Nevertheless, there continue to be areas where companies can improve transparency in corporate reporting to demonstrate a solid signal of commitment and willingness to act against corruption.

⁴ Euronext Amsterdam – AEX Index. Available at: <https://www.euronext.com/en/products/indices/NL0000000107-XAMS/>

⁵ Euronext Amsterdam – AMX Index. Available at: <https://www.euronext.com/en/products/indices/NL0000249142-XAMS/>

⁶ Euronext Amsterdam – AScX Index. Available at: <https://www.euronext.com/en/products/indices/NL0000249142-XAMS/>

II. MAIN FINDINGS

OVERALL INDEX RESULT

Average score large companies: 5.0/10 **Average score SMEs: 4.7/10**

- Both large companies and SMEs have an overall good level of transparency. While they both score high on dimensions 1 and 2, their scores on dimension 3 remain low.
- Eight companies receive scores above 5.0. Two companies scored exactly 5.0. The other ten scored below 5.0. All assessed companies show room for improvement.
- Two companies improved their transparency score significantly as compared to 2016. Wereldhave across the three dimensions of transparency: from 65 to 85 per cent in dimension 1, from 75 to 100 per cent in dimension 2, and from 60 to 80 per cent in dimension 3; NN Group improved their score in two dimensions of transparency: from 46 to 92 per cent in dimension 1 and from 31 to 100 per cent in dimension 2.

ANTI-CORRUPTION PROGRAMMES

Average score large companies: 8.6/10 **Average score SMEs: 5.0/10**

- All companies publicly commit to be compliant with all relevant laws, (explicitly) including anti-corruption laws. Nevertheless, half of the large companies and most SMEs do not specifically prohibit facilitation payments.
- Both large companies and SMEs have whistleblower mechanisms in place, which implies that this is an important topic for both. Nevertheless, half of the SMEs do not get full marks, while only three of the large companies do not get full marks.
- Most companies prohibit political contributions or require them to be publicly disclosed. However, very few companies report on community contributions.
- SMEs score low on the following topics: leadership support for anticorruption, providing anti-corruption training for employees and directors, and the application of the anti-corruption program to non-controlled contractors and suppliers.

ORGANISATIONAL TRANSPARENCY

Average score large companies: 5.0/10 **Average score SMEs: 7.0/10**

- Most corporations disclose information mainly regarding their fully consolidated subsidiaries. Companies score lower in disclosing information regarding their non-fully consolidated holdings.
- Companies seldom disclose the country of operations of their fully consolidated subsidiaries and their non-fully consolidated holdings.

COUNTRY-BY-COUNTRY REPORTING

Average score large companies: 1.5/10 **Average score SMEs: 2.1/10**

- The low average scores result from the fact that most corporations disclose financial information on a regional basis only. If figures are disclosed for individual countries, only principal countries are included.
- Although philanthropy seems popular, reporting on it is not. Many companies refrain from being transparent on their community contributions.

III. RECOMMENDATIONS

TO LARGE COMPANIES AND SMEs

- 1. Step up efforts to become more transparent: prohibit facilitation payments.** Though both large companies and SMEs have an overall good level of transparency, almost half of them do not specifically prohibit facilitation payments. Facilitation payments are bribes and they should be treated as such. Facilitation payments are part of a cycle of bribery that corrodes public and business standards and they contribute to a climate that is conducive to larger-scale public sector bribery and state theft.
- 2. Develop best-in-class anti-corruption programmes and report on them publicly.** Anti-corruption programmes are ideally far from static. On the contrary, such programmes should be responsive to changes in the company's operating environment and therefore regularly monitored and reviewed for suitability, adequacy and effectiveness. A robust programme protects the company against the risk of bribery and corruption. Furthermore, a best-in-class anti-corruption programme and a commitment to transparency can act as positive differentiators. Making their anti-corruption programmes more robust and available for all to see will send a clear signal to stakeholders, including employees and business partners, regarding the company's stance towards corrupt practices.
- 3. Ensure your agents and other intermediaries are covered by your anti-corruption programme.** For an anti-corruption programme to be effective, it is relevant to consider the company's wider value chain, including suppliers, agents and other third parties the company interacts with. Agents and other intermediaries acting on companies' behalf are a common conduit for bribes and as such, they can present a high risk for firms. Companies should ensure that agents and other intermediaries acting on their behalf are contractually bound to comply with their anti-bribery policies and they should be provided with appropriate advice and documentation explaining this obligation.
- 4. Publish exhaustive lists of subsidiaries, affiliates, joint ventures and other related entities.** Complete and clear reporting on company holdings information is relevant as it informs about operations, reveals organisational networks and ensures that the company is fully accountable in the countries where it is operating. Dutch companies should step up their disclosure practices by publishing information on all their related entities. Ideally a list of all holdings is included in annual reports but they should at least be easily accessible from corporate websites. They should include information regarding each the company name, the percentage owned by the group, and the place of incorporation and basic information on company operations, i.e. where it is located and the kind of business it conducts.
- 5. Publish financial information of each country of operation.** Dutch companies still publish limited financial data on countries of operations and mostly clustered data by region rather than by country. Financial transparency is of importance to

investment certainty and accountability to the public. 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.** As there continue to be developments on further regulations of the subjects covered in this report, standards of company practice on public reporting are constantly raised. At the European level, there are developments concerning improvements to whistleblower protection, increasing transparency of beneficial ownership and tax transparency. In the Netherlands, there have been major improvements in enforcement since 2016, with an extra €20 million annually for Dutch anti-corruption enforcement bodies. By 2020, the treasury is expected to receive €80 million in fines and confiscation annually. Legislation – if vigorously enforced – can effectively raise the bar for corporate anti-corruption practices and is critical for incentivising companies to adopt stronger anti-bribery compliance measures.
- 2. Require companies to publicly disclose their corporate structures.** 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 all subsidiaries and their related information such as country of incorporation, country of operations, and percentage of shares owned should be required
- 3. Establish a legal framework to require Dutch companies to disclose country-by-country financial information.** 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.

TO INVESTORS AND ANALYSTS

- 1. Demand disclosure of information on anti-corruption programmes, organisational information and country-by-country financial information.** For investors and analysts to evaluate investment risks and make the best choices towards responsible investments, they need to gain full understanding of a company on all three dimensions of transparency: anti-corruption programmes, organisational transparency and financial data on a country-by-country basis.
- 2. Take transparency of organisational structures and country-by-country reporting into account in the analysis of potential investments.** Both elements should become an essential part of risk ratings and corporate responsibility indices. When investors and analysts start taking transparency of organisational structures and country-by-country reporting into account in their analysis of potential investments, companies are inclined to take those indices into account as well.

TO CIVIL SOCIETY ORGANISATIONS

- 1. Demand that companies be more transparent.** Civil society organisations in emerging economies should focus advocacy efforts on demanding greater transparency from multinational business. Citizens have a right to expect companies to uphold high anti-corruption standards and to know which companies are operating in their country, as well as the extent of their operations.
- 2. Use, monitor, analyse and disseminate public corporate information Advocate for a stronger commitment to transparency by companies.** Civil society organisations should use this information to engage with governments, regulators and companies with the objective of improving the standards of anti-bribery practice by companies and to counter corruption generally.
- 3. Advocate for country-by-country reporting by companies.** Country-by-country reporting of key financial data is gaining momentum rapidly. Civil society should mobilise more broadly to ensure that governments and companies take the necessary measures to foster the transparency needed for greater accountability.

IV. 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 Nederland in the 2016 version of this report. Furthermore, we see this methodology, or adaptations of it, being used by various TI chapters worldwide.

COMPANY SELECTION

This study is a follow-up of TRAC 2016 and assesses twenty-nine companies. The main criteria applied for the company selection were: international operations, a listing on the Dutch stock exchange and both domicile and corporate headquarters located in the Netherlands. The threshold for SMEs is that they employ less than 250 people on a full-time basis.

To gain an understanding of how corporations change their corporate reporting over the years, we started our selection process by looking at the companies that were assessed in 2016. From the 29 corporations we assessed back then, 26 remained.⁷ Three new companies were found to bring the number of assessed companies back to 29.⁸

Lastly, it must be mentioned that Koninklijke Philips divested its lighting division, which became a separate entity, called Philips Lighting. Even though Philips Lighting (now called Signify) is also listed on the AEX Index, we chose not to include the company as we already included Koninklijke Philips itself: we prefer to focus on a broad spectrum of companies instead of laying the focus on comparing two similar companies.

METHODOLOGY

Transparency in corporate reporting is measured in three dimensions that TI considers fundamental to achieving greater transparency in reporting procedures: anti-corruption programmes, organisational transparency and country-by-country reporting.

The methodology for this report was developed by the Transparency International Secretariat (TI-S) in Berlin. This report is continuously updated to keep up with the developments in best practices, legislation and standards on corporate reporting. Furthermore, our expectations of companies become higher every year, which may lead to some companies having scored lower in TRAC 2018 as compared to TRAC 2016. In our vision, companies should keep striving towards more transparency in corporate reporting and better compliance.

The methodology of this study is divided in three dimensions:

1. ANTI-CORRUPTION PROGRAMMES

The first dimension includes 13 questions about corporate Anti-Corruption Programmes. Each question has the same weight, respectively, the maximum score that the company could receive was 13 points. We have assessed the company's adherence to the principle of the so-called "zero tolerance" for corruption, the commitment to comply with anti-corruption laws, the applicability of anti-corruption provisions of company internal documents not only to employees but also to top managers, persons authorised to work on behalf of the company or represent it, as well as to its contractors and suppliers. In addition, we have evaluated the gift

⁷ Delta Lloyd was acquired by NN Group. TNT Express was acquired by FedEx, and therefore not the parent company anymore, nor listed in the AEX Index. NSI seized all foreign operations in 2017.

⁸ Based on market capitalisation, ABN AMRO Group and Altice are the largest companies on the AEX Index and not assessed before in 2016. Furthermore, Pharming Group is a biotech firm that falls in the SME category, and was included in this TRAC report.

and hospitality policy, guidelines for political contributions and the ban on making facilitation payments. Attention was also paid to the protection of whistleblowers, the availability of the channel to report corruption offenses (hot line), keeping anti-corruption documents up-to-date and the organisation of regular trainings for employees and directors.

These evaluation parameters of companies with regard to internal anti-corruption documents are in compliance with the Business Principles for Countering Bribery, developed by Transparency International.⁹

2. ORGANISATIONAL TRANSPARENCY

The second dimension of the study has eight questions of equal weight which are devoted to the disclosure of information about company's subsidiaries, associates and joint ventures. We have assessed the company's full disclosure of the names, ownership interests, countries of registration and countries of operations for its subsidiaries and associates. The maximum score that the company could receive was 8.

In interpreting the results on organisational transparency, the reader should consider that corporations can score half a point on each of the eight questions of dimension 2. This is done to award points for the fact that information can be found for at least some of the subsidiaries of a corporation. The reason for this is that companies have either only reported on 'material' subsidiaries or that they do not report on subsidiaries at all, in which case the researcher puts individual pieces of information together to find out whether subsidiaries exist.

In terms of organisational transparency, the parameters were selected based on the minimum information necessary to form the idea of subsidiaries and associates, joint ventures through which the company operates in the country of registration and other countries.

3. COUNTRY-BY-COUNTRY REPORTING

In this study, the country of operation is defined as the country in which the company works either directly through branches and representative offices, or through affiliates, associated structures and joint ventures. This part of the study applies only to multinational companies operating in more than one country, that is, outside of the Netherlands. With respect to the countries of operation, the evaluation parameters were designed in such way as to provide the most exhaustive information on revenues and costs in each country of operation. In particular, for each country, such criteria as disclosure of income, capital expenditure, profit before tax, income tax, and a size of public contributions were assessed. Each of the five questions in the third part of the study have an equal weight.

Each part of the methodology has the same weight in the final index, calculated as the average rate for all three parts. For a more detailed discussion of the methodology applied in this report, please refer to Transparency International.¹⁰

LIMITATIONS OF THE METHODOLOGY

The methodology applied to the TRAC study has some limitations. Firstly, the study is based on the assessment of information provided by the company on its official website in public, that is, it is absolutely open for everyone. Thus, all the conclusions drawn from the results of this study refer only to publicly available corporate documents and reports.

Secondly, the purpose of the study is not to compare the information presented on the official website of the company with the actual activities of the company. For example, if a company

⁹ Transparency International, *Business Principles for Countering Bribery* (2013). Available at: https://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery

¹⁰ Transparency International, *Transparency in Corporate Reporting* (2014). Available at: www.transparency.org/corporate_reporting

writes about its Code of Ethics for regular and mandatory anti-corruption training for all employees and directors, the researcher trusted such information without verifying it.

Thirdly, a large amount of information that the researchers have worked with poses the risk of being inaccurate and erroneous. To avoid this, all the materials have been submitted to the companies for the review prior to publication.

CONTACT WITH CORPORATIONS

In TRAC 2018, we assess 29 companies and score them on their anti-corruption programmes, their organisational transparency and their country-by-country reporting. Although it is TI-NL that determines the final scores, we ask companies for their feedback on our initial findings.

Before research on TRAC 2018 began, but after having determined which companies would be assessed, we sent an email to each company about our research and that they would be assessed. For some companies we had existing contact details, other companies were contacted through the email-addresses found on their websites. After that, a follow-up email was sent to inform the companies that our desk research took longer than expected.

The methodology and data were shared with each of the companies assessed. Companies had the opportunity to review and comment on our findings before this report was published. During two weeks, companies had a chance to improve their score by adding additional information to their website or by pointing out any omissions in the research. All feedback was verified and incorporated into the final scorings. Appendix II at the end of this report shows which corporations took advantage of the opportunity to get back to us.

We have tried our best to get in touch with the companies involved in our assessment. Sixteen companies found time to respond. One company informed us they were not interested in our research; thirteen companies did not respond to any of our emails. We received three responses more than during our 2016 TRAC research. However, we hope in future more companies will see the relevance of responding to our inquiries and join the dialogue on this important topic.

ACTUAL PERFORMANCE VS RESEARCH FINDINGS

The actual performance of companies in the TRAC report may be different from the findings in this report based on research and publicly available data. For instance, if the possibility of reporting wrongful behaviour anonymously is offered on paper, it may very well be the case that this is not possible in practice. The reporting person's identity may be revealed when the identifiable facts of a report point to a specific person, or the reporter's identity becomes clear during investigation of the report. Furthermore, retaliations may be forbidden in theory, but may not be sanctioned in practice.

However, this does not imply that the results from our research lie far from reality. In their paper (2016), Healy and Serafeim found proof for the fact that companies' self-reported anti-corruption efforts are real efforts "and are not merely cheap talk".¹¹ Without going too much into detail about the theory behind their findings, they concluded "that ratings of firms' self-reported anti-corruption efforts are predictably related to enforcement and monitoring costs".

¹¹ Healy, Paul M. and Serafeim, George, *An Analysis of Firms' Self-Reported Anticorruption Efforts* (March 2016). The Accounting Review Vol. 91, No. 2, pp. 489-511, 2016. Available at: <https://ssrn.com/abstract=2229039>



1

REPORTING ON ANTI-CORRUPTION PROGRAMMES

V. ANTI-CORRUPTION PROGRAMMES

Anti-corruption programmes, fully implemented and continuously monitored, can be a powerful means of protecting a company against the risk of bribery and corruption. This is especially relevant in the international business contexts, where exposure to corrupt activities is relatively high. Full and transparent disclosure of a company's anti-corruption programme 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 programmes is based on 13 questions, which are derived from the Reporting Guidance on the 10th Principle Against Corruption,¹² made by United Nations Global Compact and Transparency International. This includes clear recommendations on the aspects of a company's anti-corruption programmes, which should be publicly disclosed. This Reporting Guidance was derived from the *Business Principles for Countering Bribery*¹³ and provides companies with structured and comprehensive information concerning thorough and consistent corporate reporting for both SMEs and large companies.

RESULTS: LARGE COMPANIES

The overall score for large companies in this dimension is 86 per cent. While this overall score sees an increase compared to the results for large companies assessed in 2016 (80 per cent), we also witness an increase in the number of companies that score 100 per cent (from 3 to 5). This is true for Akzo Nobel, KPN, Unilever, ABN AMRO, Heineken and Shell. For the latter two this entails an improvement from our previous assessment, while ABN AMRO makes an impressive entry into the list. Boskalis, on the other hand, failed to improve its score from two years ago and is now at the bottom of the list with 54 per cent. NN Group improved their transparency score from 46 per cent to 92 per cent, followed by RELX improving from 65 per cent to 88 per cent, ASML from 65 per cent to 85 per cent and Shell from 88 and reaching the top score of 100 per cent.

ACP – LARGE COMPANIES	%
ABN AMRO	100
Akzo Nobel	100
Heineken	100
KPN	100
Shell	100
Unilever	100
NN Group	92
Philips	92
Aegon	88
ING Groep	88
Randstad	88
RELX	88
ASML	85
Vopak	85
Wolters Kluwer	77

¹² UNGC, Transparency International, *Reporting Guidance on the 10th Principle Against Corruption* (2009). Available at: https://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf

¹³ Transparency International, *Business Principles for Countering Bribery* (2013). Available at: https://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery/1

Altice	73
Aalberts Industries	69
DSM	69
Ahold Delhaize	65
Boskalis	54
AVERAGE	85

Taking a closer look at the individual questions in this dimension (**Table 1**), we see that large companies – at least on paper – put significant effort into addressing corruption and bribery. All the assessed corporations have a publicly stated commitment to anti-corruption (although some statements are stronger than others) and committed to follow all laws. TI-NL furthermore notes that – at least on paper – all large corporations now enable employees to raise concerns without the risk of reprisal. The actual performance of the whistleblowing framework may be different from findings through research and publicly available data. For instance, if the possibility of reporting anonymously is offered on paper, it may be the case that this is not possible in practice.

The lowest score was achieved on the question whether companies prohibited their employees from making facilitation payments. Sadly, seven companies still do not publicly state that they prohibit their employees from making these payments. Additionally, we found four cases in which companies do not demonstrate a commitment against corruption, and four companies lack a policy that prohibits or publicly discloses political contributions. TI-NL furthermore found that more companies should regularly monitor their anti-corruption programmes on effectiveness.

REPORTING ON ANTI-CORRUPTION PROGRAMMES: ANALYSIS BY QUESTION – LARGE COMPANIES

	1 POINT	0.5 POINTS	0 POINTS
Anti-corruption commitment	18	2	0
Compliance with laws commitment	20	0	0
Leadership support	16	0	4
Code applies to all employees and directors	17	3	0
Code applies to agents	17	0	3
Code applies to suppliers	14	6	0
Training programme for employees and directors	12	6	2
Gifts, hospitality and expenses policy	17	2	1
Prohibition of facilitation payments	13	0	7
Employees can raise concerns	20	0	0
Whistleblowing policy	17	3	0
Regular programme monitoring	11	8	1
Policy on political contributions	16	0	4

RESULTS: SMEs

SMEs score an average of 50 per cent. This is 10 per cent higher than in TRAC 2016 and signals a significant improvement. At the top of the list of SMEs is Wereldhave with a score of 85 per cent, up from a score of 65 per cent in 2016. Furthermore, is it worth mentioning that Kiadis Pharma improved from 23 to 62 per cent, Brill from 38 to 58 per cent and Flow Traders from 23 to 54 per cent, all above average. At the bottom of the list we see Esperite with a 31 per cent score.

OT – SME	%
Wereldhave	85
Kiadis Pharma	62
Brill	58
Flow Traders	54
Vastned	46
Eurocommercial Properties	42
Lucas Bols	38
Pharming Group	38
Esperite	31
AVERAGE	50

Looking at the individual questions, we observe that all SMEs mention that they comply with all relevant laws. Furthermore, it stands out that the Code of Conduct of SMEs almost always applies to all employees and all directors, and 8 companies had a policy on gifts, hospitality and expenses.

Unfortunately, not one SME reported an anti-corruption training programme in place for both employees and directors. Furthermore, none of the companies scored full points on their way of making sure their suppliers are not engaging in corruption. We found six SMEs not reporting on a policy for prohibiting facilitation payments, and six SMEs in which the anti-corruption program does not apply to their agents. It is also worth mentioning that only three out of nine SMEs had a strong anti-corruption commitment.

REPORTING ON ANTI-CORRUPTION PROGRAMMES:				
ANALYSIS BY QUESTION – SME'S		1 POINT	0.5 POINTS	0 POINTS
Anti-corruption commitment		3	3	3
Compliance with laws commitment		9	0	0
Leadership support		2	0	7
Code applies to all employees and directors		8	0	1
Code applies to agents		3	0	6
Code applies to suppliers		0	2	7
Training programme for employees and directors		0	2	7
Gifts, hospitality and expenses policy		7	1	1
Prohibition of facilitation payments		3	0	6
Employees can raise concerns		4	0	5
Whistleblowing policy		4	5	0
Regular programme monitoring		3	1	5
Political contributions		6	0	3

SEPARATE QUESTIONS RESULTS (OVERALL)

A question that deserves separate attention here is certainly question thirteen, regarding having a policy in place on political contributions. Political contributions refer to cash or in-kind support for a political party, cause or candidacy. This includes both direct and indirect contributions, for example through associations to which the company is a member. Transparency International does not require that companies prohibit political contributions, but it requires transparency in this area. Such transparency can be achieved in two ways: either a company should publicly disclose all contributions or it should publicly prohibit them.

Although most corporations in this TRAC assessment have made a public commitment to not engage in any political contributions or to publicly disclose such contributions, some have *not* made such a commitment. Transparency International strives towards transparency in all aspects of doing business. Political contributions are no exception to this.

REPORTING ON ANTI-CORRUPTION

PROGRAMMES: ANALYSIS BY QUESTION

	1 POINT	0.5 POINTS	0 POINTS
Compliance with laws commitment	29	0	0
Code applies to all employees and directors	25	3	1
Gifts, hospitality and expenses policy	24	3	2
Whistleblowing policy	21	8	0
Employees can raise concerns	24	0	5
Anti-corruption commitment	21	5	3
Political contributions	22	0	7
Code applies to agents	20	0	9
Regular programme monitoring	14	9	6
Leadership support	18	0	11
Code applies to suppliers	14	8	7
Training programme for employees and directors	12	8	9
Prohibition of facilitation payments	16	0	13

If we rank the questions by the amount of points scored, we get an indication of which topics have received most attention when reporting on anti-corruption programmes. Companies stress that they comply with all applicable laws as a first priority, as can be seen by the perfect score on that question. High scores are also found regarding companies' policies on whistleblowing, gifts and hospitality, and training programmes for employees and directors. However, facilitation payments, training programmes and the monitoring of suppliers receive less attention in corporate reporting. As such, it is of importance that we bring these topics to the attention of those in charge of coordinating the programmes. What has to be mentioned though, is that large companies may need to spend time on different topics than SMEs, something that is discussed below.

TI-NL urges companies to take a stronger public stance against corruption and hopes that more corporations will pro-actively fight corruption. This necessitates going beyond informing employees and includes preventing corruption from entering into the value chain. However, everything starts with leadership. Currently of at least 11 out of 29 corporations' leadership have not made a clear and firm statement against corruption.

COMPARISON BETWEEN LARGE COMPANIES AND SMEs

In general, SMEs score lower than large companies on this dimension. A reason may be large corporations have more resources (both time and funds) to invest in anti-corruption programmes. Nevertheless, the relative improvement from the last TRAC assessment is smaller for large corporations than for SMEs. With six large corporations scoring 100 per cent, for most assessed corporations there is still room for improvement. With increasing enforcement efforts in the Netherlands, we expect the upward trend in scores to continue and hope corporations will employ more dedicated anti-corruption officers.



2

ORGANISATIONAL TRANSPARENCY

VI. ORGANISATIONAL TRANSPARENCY

Multinational companies often have numerous subsidiaries in different countries and also other ownership interests such as associated companies, joint-ventures or other holdings. These entities are frequently registered offshore, including in what are considered secrecy jurisdictions or tax havens.

The Organisational Transparency dimension looks at how transparent companies are in disclosing information about fully consolidated subsidiaries,¹⁴ 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 holding, countries of incorporation for each entity, and the countries of operations for each entity.

Organisational transparency helps society, including important stakeholders, to gain insight into the companies' controlling interests and responsibilities between companies. Stakeholders are becoming increasingly interested in knowing 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 behaviour.

Local stakeholders benefit from knowing which companies are operating in their territories, bidding for government licenses or contracts, or having applied for or obtained favourable tax treatment. This last topic has recently drawn attention in the Netherlands, after controversial discussions to drop the tax on dividends.¹⁵ The Netherlands is a useful conduit country because of its combination of beneficial fiscal arrangements available to international corporations. Firstly, the Netherlands has an extensive Double Taxation Treaty network, which allows multinationals to substantially reduce withholding taxes on dividends, interest and royalty payments on financial flows to and from other countries and tax havens via the Netherlands. Along with these come the Netherlands' famous participation exemption, which exempts international subsidiaries from Dutch corporation tax; the absence of withholding taxes on interest and royalties and the possibility to have tax rulings.

The Netherlands plays a crucial role in the field of international corporate tax avoidance and the Dutch government so far has been reluctant to provide sufficient transparency on tax avoidance schemes.¹⁶ However, tax transparency is not solely a government issue. Companies carry a large corporate tax responsibility, not only for public relations but also on the level of social development. Paying a sustainable tax rate ensures companies adequately compensate for services that are delivered by society. Therefore, it is imperative companies view taxation as an integral part of their corporate social responsibility.

¹⁴ Fully consolidated subsidiaries are entities, which are fully or majority-owned by the parent company and/or controlled by the parent company. Their financial statements are fully accounted for in the group consolidated financial statements. Please note, in many countries, the term "subsidiaries" is a synonym for fully consolidated entities, but in some countries it can also refer to non-fully consolidated holdings. To avoid misinterpretation, in this report we use the term "fully consolidated subsidiaries".

¹⁵ See for example: Bloomberg, *Tax Cut in Rutte's Budget Draws Dutch Opposition's Ire* (18 September 2018). Available at: <https://www.bloomberg.com/news/articles/2018-09-18/dutch-dividend-tax-abolition-plan-in-budget-draws-opposition-ire>

¹⁶ Tax Justice, *Financial Secrecy Index* (2018). Available at: <http://www.financialsecrecyindex.com/PDF/Netherlands.pdf>

Especially in the developing world, where the public and private sector often fall short of being open and transparent, companies have a positive influence on the level of information available to the public and other stakeholders and help them to fulfil their overseeing role.

Some companies report information on their ‘material’ subsidiaries. These subsidiaries contribute a certain amount to the total parameter in question (usually revenue or profit), which is above the threshold used by that company (usually 1 per cent or €1 million). The fact that corporations disclose on their material subsidiaries is positive and a step in the right direction. However, it is not enough. Firstly, materiality is a rather subjective criterium. It is an accounting term, which allows for the selection of certain items for company reports on the basis of their relative significance for the overall business. The criteria used for this selection can vary depending on the accounting or reporting regime in place. In other words, what constitutes ‘materiality’ for one corporation, might not be ‘material’ in the eyes of other beholders. As such, comparing and evaluating corporations makes it very difficult if the reader must rely on a ‘materiality’ principle. Secondly, when companies limit their disclosure to ‘material’ subsidiaries, they only paint a partial picture of their organisational structures. In fact, many of the smaller (less material, significant) subsidiaries or associates that are omitted can be very important. They can be significant for the countries in which they are incorporated: the non-material subsidiary of a large multinational company can be a large market player in a small country. Furthermore, so-called non-material subsidiaries may be used as significant financial vehicles for their parent companies. Therefore, we expect companies to disclose all of their subsidiaries – without limiting disclosure to the material entities. Only full disclosure of this information receives full points.

RESULTS: LARGE COMPANIES

The average score for large corporations on dimension 2 is 50 per cent. This is lower than the score on dimension 2 from two years ago, which was 56 per cent. Since the TRAC methodology is updated continuously to reflect the changing standards, we consider the lower score as an indication of the lack of progress companies make in their reporting transparency.

The best performing company is NN Group with a perfect score, an improvement of 31 per cent as compared to TRAC 2016. RELX, Altice and Shell also score relatively well, with scores of 81 per cent, 75 per cent and 75 per cent respectively. Other companies improved their level of disclosure: Randstad and ASML improve from 31 and 38 per cent respectively in 2016 to 50 per cent in 2018. At the bottom of the list we find Wolters Kluwer, which has not improved its 19 per cent score from two years ago. Furthermore, it is worth mentioning that Boskalis scores drastically lower than two years ago (100% in 2016 compared to 38% in 2018). In total, nine companies score above the average of 50 per cent.

ORGANISATIONAL TRANSPARENCY – LARGE COMPANIES	%
NN Group	100
RELX	81
Altice	75
Shell	75
DSM	56
ASML	50
ING Groep	50
Randstad	50
Unilever	50
Akzo Nobel	44
Heineken	44
Philips	44

Aalberts Industries	38
ABN AMRO	60
Aegon	3
Ahold Delhaize	7
Boskalis	38
KPN	38
Vopak	38
Wolters Kluwer	19
AVERAGE	48

RESULTS: SMEs

SMEs score an average of 70 per cent on dimension 2. This is a decent score, and better than the 65 per cent they scored in TRAC 2016. Wereldhave is the best performing SME and scores a perfect 100 per cent. Furthermore, we observe six companies that score above average. The lowest scoring SMEs are Esperite (38 per cent), Lucas Bols (44 per cent) and Flow Traders (63 per cent).

ORGANISATIONAL TRANSPARENCY – SME'S	%
Wereldhave	100
Eurocommercial Properties	88
Brill	75
Kiadis Pharma	75
Pharming Group	75
Vastned	75
Flow Traders	63
Lucas Bols	44
Esperite	38
AVERAGE	70

COMPARISON BETWEEN LARGE COMPANIES AND SMEs

The results and conclusions for small and medium-sized enterprises (SMEs) differ from those for large corporations. For SMEs, we expect to see a less diversified portfolio of subsidiaries, associates and joint ventures. However, if SMEs do have foreign subsidiaries, the scores demonstrate the SMEs report more transparently on these subsidiaries than large companies do. This can be concluded by looking at the points awarded to SMEs and large companies on questions 1 and 2 of dimension 2. Organisational Transparency. SMEs score 8 and 7 (out of 9) points respectively, whereas large companies score 12.5 points (out of 20) on each of the questions. This indicates that most (except for 2) SMEs reported a full list of their fully consolidated subsidiaries, whereas large multinationals repeatedly reported only a partial list. The same can be concluded for non-fully consolidated subsidiaries, where SMEs score higher on questions 5 and 6 than their larger counterparts.

However, due to their size SMEs in general have less foreign subsidiaries than multinationals do. Therefore, the difference in scores can (partly) be explained by the fact that some SMEs disclosed that they do not have any non-fully consolidated subsidiaries. This leads to their score being calculated on a maximum of 4 points. Since almost all SMEs report on their (fully consolidated) subsidiaries in a transparent manner, they score at least 3 out of 4 points. Therefore, several SMEs score well in this dimension. At the same time, most large corporations do have non-fully consolidated subsidiaries but only report on their material ones. For that reason, their score is relatively lower because they do not disclose on *all* of their non-fully consolidated subsidiaries.

REPORTING ON ORGANISATIONAL TRANSPARENCY: ANALYSIS BY QUESTION	1 POINT	0.5 POINTS	0 POINTS	N/A
List of names of each consolidated subsidiary	13	15	1	-
Percentage owned	12	15	2	-
Country of incorporation	12	14	3	-
Country of operations	6	8	15	-
List of names of non-fully consolidated subsidiaries	6	16	1	6
Percentage owned	6	16	1	6
Country of incorporation	5	15	3	6
Country of operations	2	3	18	6



3

COUNTRY-BY-COUNTRY REPORTING

VI. 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 revenues, capital expenditures, pre-tax income, income tax, and community contributions for all consolidated subsidiaries in countries in which they operate or have a presence in.

CbCR helps to expose the link between the parent company and the local jurisdiction in which it operates, thereby facilitating 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 for large companies on dimension 3 is a worrying 15 per cent. The low number indicates that there is a need for both best practices to be shared and attention to be devoted to Country-by-Country Reporting. Several companies have, however, scored decently in comparison with the rest. The top three companies are made up of ABN AMRO Bank and KPN, both scoring 60 per cent and ING Group scoring 57 per cent. Two large companies received a significantly lower score compared to 2016: KPN dropped from 80 to 60 per cent, and Ahold Delhaize from 28 to 7 per cent. Only one large company improved its score: Randstad from 10 to 15 per cent. At the bottom of the list we find five companies that did not score any points: Aalberts Industries, Boskalis, Unilever, Vopak and Wolters Kluwer. It is noteworthy that all these companies were also at the bottom of the list on dimension 3 of TRAC 2016, with Vopak having a slightly lower score as compared to their score in TRAC 2016.

CBCR – LARGE COMPANIES	%
KPN	60
ABN AMRO	60
ING Groep	57
NN Group	51
Altice	25
Randstad	15
Shell	9
ASML	8
Ahold Delhaize	7
Heineken	6
DSM	3
Aegon	3
Philips	2
Akzo Nobel	1
RELX	0
Aalberts Industries	0
Boskalis	0
Unilever	0
Vopak	0
Wolters Kluwer	0
AVERAGE	15

RESULTS: SMEs

When we look at the SMEs on dimension 3, the skies are clearer. The average score is 21 per cent. Although this score is also relatively low, it is almost twice as high as the average for large corporations. Wereldhave is the top scoring company with an 80 per cent score, coming from 60 per cent in 2016. Flow Traders (40 per cent), Eurocommercial Properties (35 per cent) and Vastned (32 per cent) all score double digits as well. Brill, Esperite and Kiadis Pharma all score zero and find themselves at the bottom of the list.

CBCR – SME'S	%
Wereldhave	80
Flow Traders	40
Eurocommercial Properties	35
Vastned	32
Pharming Group	5
Lucas Bols	1
Brill	0
Esperite	0
Kiadis Pharma	0
AVERAGE	21

RESULTS (OVERALL)

The average company score for Country-by-Country Reporting is 17 per cent, one percent lower than in TRAC 2016. The best performing company is Wereldhave with a score of 80 per cent, which has in fact improved its score by twenty percentage points since two years ago. At the very bottom of the ranking are nine companies that score zero. The highest level of country-level transparency is measured for revenues: twenty out of the 29 companies disclose some type of country-level data regarding revenues, though only two disclose full revenue data by country. The least-disclosed item is community contributions, for which only five companies provide some country-level financial data. Commendable is Flow Traders, with a 100 per cent score for this segment of the dimension.

COMPARISON BETWEEN LARGE COMPANIES AND SMEs

When comparing large companies and SMEs, we see big differences – similar to the 2016 TRAC. Both in scores (11 per cent versus 21 per cent) and in their respective ways of reporting. Large companies often resort to only reporting on regions. And if they report on a country-by-country basis, only principal countries are reported for. SMEs on the other hand either report the required parameters for most of the countries they operate in, or they do not report on their foreign operations at all.

VII. FEEDBACK OF COMPANIES

NGOs and other organisations often try to get in touch with corporations. However, it is not always clear to whom they should address their questions or comments. This leads to emails not being read or phone calls not being answered. TI-NL experienced this in both its TRAC 2018 and TRAC 2016 assessment, a fact that is reflected by a number of companies not providing feedback. Although some might have chosen to not respond to initial findings, others will simply have missed the opportunity, which is regrettable for all those involved.

Nevertheless, the amount of companies that stress the importance of stakeholder involvement in their activities is increasing. On the other hand, the actual dedication of an employee to stakeholder management is growing at a much slower pace. If corporations communicate clearly on whom to contact for purposes like ours, their stakeholder involvement could lead to more successful cooperation.

ANTI-CORRUPTION PROGRAMMES

The feedback that we received on dimension 1 from corporations derived from a number of questions. Firstly, most corporations informed us that their Code of Conduct and anti-corruption training (questions 4 and 7 respectively) were mandatory for every employee and director. This is something that often did not become clear from the text itself. However, once we sent out the initial results, a number of companies indicated that, although their documents did not state this clearly, both the Code of Conduct and the anti-corruption training were indeed mandatory for *everyone* within the organisation, meaning both employees and directors. Although TI-NL still stands for a clear (and unambiguous) text, we are content to see that the actual implementation is broader than the documents might suggest.

Another point that became clear from the feedback was the fact that a number of corporations did monitor their anti-corruption programmes on a regular basis. This relates to question 12 of the first dimension. A number of companies indicated that they had (implemented) a number of different ways to make sure that their systems remain up-to-date. One issue here is the large variety of names and systems that have been implemented by the different organisations assessed. Where some explicitly mention corruption (and thus make for easy scoring), other companies discuss their risk management system, their approach to compliance, or the framework in place. Furthermore, these systems become more complex as organisations operate in larger parts of the world. From the feedback we received, TI-NL concluded that an effort is being made by quite a few companies to monitor the risks related to corruption.

ORGANISATIONAL TRANSPARENCY

Common feedback on dimension 2 looking into organisational transparency was the fact that the country of incorporation was often to be interpreted as the (principal) country of operations as well. This relates to questions 3 and 4, & 7 and 8 of the second dimension. Quite a few companies only disclosed "country" or "country of incorporation". However, in the feedback of the companies it was clarified that this meant the (principal) country of operations as well. Points were awarded to those companies where this was the case for every entity mentioned, as opposed to those where "most subsidiaries have their principal country of operations in the country of incorporation." It might seem obvious to incorporate a company in the country where it (principally) operates. However, especially when tax planning is involved, this is not always the case.

COUNTRY-BY-COUNTRY REPORTING

On this dimension we received feedback from a number of companies, which stated that some questions were not relevant for their industry. One example was the CapEx (Capital Expenditure), which was deemed irrelevant by some companies. If there is nothing (or very little as some companies mentioned in their feedback), this could also have been reported. It seems the threshold for a number of companies to report annually and for each tax jurisdiction in which they do business is relatively high. TI-NL recommends disclosing all financial data on country-level for each tax jurisdiction in which they are active.

VIII. COMPARISON 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 size (i.e. the amount of companies included in the study) varies per report.

	TRAC NETHERLANDS 2018	TRAC RUSSIA 2018 ¹⁷	TRAC BRASIL 2018 ¹⁸	TRAC NETHERLANDS 2016	TRAC GLOBAL EMERGING MARKETS 2016 ¹⁹
DIMENSION	AVERAGE (LARGE; SMEs)	AVERAGE	AVERAGE	AVERAGE (LARGE; SMEs)	AVERAGE
ACP	75% (86%; 50%)	27%	74%	68% (80%; 40%)	48%
OT	56% (50%; 70%)	41%	58%	59% (56%; 65%)	47%
CBCR	17% (15%; 21%)	4%	3%	16% (13%; 24%)	9%
OVERALL INDEX	49% (49%; 47%)	26%	45%	49% (51%; 43%)	34%

Looking at the overall index, the score compared to the 2016 TRAC is unchanged. Taking the details into account, however, an interesting development is that the SMEs have closed the gap between them and their larger counterparts.

¹⁷ Transparency International Russia, *Transparency in Corporate Reporting* (2018). Available at:

<https://transparency.org.ru/special/trac2018russia/docs/report-en.pdf>

¹⁸ Transparency International Brazil, *Transparency in Corporate Reporting* (2018). Available at:

<http://transparenciacorporativa.org.br/trac2018/>

¹⁹ Transparency International, *Transparency in Corporate Reporting: Assessing Emerging Market Multinationals* (2016).

Available at:

https://www.transparency.org/whatwedo/publication/transparency_in_corporate_reporting_assessing_emerging_market_multinat

IX. BEST PRACTICES

The TRAC report centres around showing which corporations are transparent in reporting on their activities, policies and financial information. As can be seen by looking at websites and publications from different corporations, each has its own style and way of communicating information. As such, there are many different ways to report in a transparent way. To help corporations in their efforts, we would like to share some of the best practices that have been encountered during the research done for this publication. These may help corporations to become more transparent, raise their public image and rank them higher in subsequent TRAC reports and other publications from Transparency International. Please note that these recommendations are not exhaustive.

OVERALL

A more general guide for more transparent reporting can be found in the Global Anti-Bribery Guidance.²⁰ This best practice guide was developed by TI-UK in conjunction with FTI Consulting and DLA Piper. Their online guide covers a wide array of topics (including the dimensions we cover in TRAC) and is continuously being updated. This free-to-use online portal expands and updates all of TI-UK's Business Integrity guidance over the last decade.

Many companies are facing increased bribery risks as they continue to expand internationally and become increasingly reliant on diffuse supply chains and complex third-party networks. There are also additional risks around stakeholder expectations, class actions if those are not met, a global strengthening of anti-bribery legislation – requiring better internal mechanisms to ensure compliance – and enhanced enforcement.

Companies will always design their own bribery programme according to their particular circumstances but those following this guidance can take reasonable assurance that they are well positioned to counter risks of bribery, comply with anti-bribery legislation in jurisdictions across the world and to act ethically and positively in the markets in which they operate

DIMENSION 1

“Applies to employees of all levels.”

Attempting to set up an exhaustive list with all the different forms of corruption may only weaken the message. However, an exception should be made to facilitation payments. Facilitation payments are payments made to expedite or to secure the performance of a routine government action, by an official, political party or party official. Though such payments are illegal in most countries, they are not prohibited under the foreign bribery laws of other countries, such as the US Foreign Corrupt Practices Act. Nevertheless, Transparency International has adopted a strict stance on facilitation payments and is convinced that companies should prohibit them in all the countries where they operate. Please note that corporations are allowed to make a restriction for “life and/or health threatening situations”.

DIMENSION 2

“Provide a full list of all subsidiaries.”

The central element that separates high-scoring corporations from low-scoring corporations on dimension 2 is the publication of a list of all the subsidiaries (fully and/or non-fully consolidated). Every publicly listed corporation in the Netherlands must provide such a list to

²⁰ Transparency International UK, *Global Anti-Bribery Guidance* (2018). Available at: <https://www.antibriberyguidance.org/>

the Dutch Chamber of Commerce on an annual basis. Transparency International advises corporations to be transparent in their communications and to provide this list to interested stakeholders as well. We expect companies to disclose all of their holdings – subsidiaries, associates and joint-ventures – without limiting disclosure to the material entities.

When companies limit their disclosure to material (principal, significant) holdings, they only paint a partial picture of their organisational structures. In fact, many of the smaller (less material, significant) subsidiaries or associates that are omitted can be very important. They can be significant for the countries in which they are incorporated: the non-material subsidiary of a large multinational company can be a large market player in a small country. Furthermore, so-called non-material subsidiaries may be used as significant financial vehicles for their parent companies.

DIMENSION 3

“Doing good? Be proud of your accomplishments.”

Corporations contribute financially to the communities in which they operate through taxes, investment and community contributions. Most public reporting for multinational companies is limited to consolidated statements across multiple jurisdictions and territories, however, without much disclosure of details on country-level operations and payments. This provides local stakeholders with little information about company activities in their own country, thereby making it difficult to assess the local footprint and impact of multinational companies.

Just like in 2016, reporting on community contributions remains worryingly low. Out of 29, only 5 corporations reported on community contributions on a country-by-country basis. However, this does not mean that these companies did not contribute to society. Transparency International urges companies to report on their community contributions. Apart from providing information to stakeholders about the activities in their own country, it gives corporations the opportunity to showcase their accomplishments, and provides inspiration for their peers.

X. APPENDICES

I. THE THREE DIMENSIONS OF TRANSPARENCY IN CORPORATE REPORTING

REPORTING ON ANTI-CORRUPTION PROGRAMMES (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?

ORGANISATIONAL TRANSPARENCY (OT)

1. Which of the following information does the company disclose for all of its fully consolidated subsidiaries:
 - i. The full list with names
 - ii. Percentages owned in each of them
 - iii. Countries of incorporation (for each entity)
 - iv. 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:
 - i. The full list with names
 - ii. Percentages owned in each of them
 - iii. Countries of incorporation (for each entity)
 - iv. Countries of operations (for each entity)

COUNTRY-BY-COUNTRY REPORTING (CBCR)

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

FULL COMPANY NAME	SIZE	INDUSTRY	ACP %	OT %	CBC R %	AVERA GE %	PROVIDED FEEDBACK
Aalberts Industries N.V.	Large	Financials	69	38	0	36	
ABN AMRO Bank N.V.	Large	Financials	100	38	60	66	✓
Aegon N.V.	Large	Technology	88	38	3	43	✓
Koninklijke Ahold Delhaize N.V.	Large	Consumer Goods	65	38	7	37	
Akzo Nobel N.V.	Large	Chemicals	100	44	1	48	✓
Altice N.V.	Large	Telecommunications	73	75	25	58	
ASML Holding N.V.	Large	Technology	85	50	8	48	✓
Esperite N.V.	SME	Healthcare	31	38	0	23	
Eurocommercial Properties N.V.	SME	Financials	42	88	35	55	✓
Flow Traders N.V.	SME	Financials	54	63	40	52	✓
Heineken N.V.	Large	Consumer Goods	100	44	6	50	✓
ING Groep N.V.	Large	Financials	88	50	57	65	
Koninklijke Boskalis Westminster N.V.	Large	Industrial	54	38	0	30	✓
Kiadis Pharma N.V.	SME	Pharmaceuticals	62	75	0	46	
Koninklijke DSM N.V.	Large	Chemicals	69	56	3	43	
Koninklijke Brill N.V.	SME	Consumer Services	58	75	0	44	
Koninklijke KPN N.V.	Large	Telecommunications	100	38	60	66	✓
Koninklijke Philips N.V.	Large	Technology	92	44	2	46	✓
Koninklijke Vopak N.V.	Large	Logistics	85	38	0	41	
Lucas Bols N.V.	SME	Consumer Goods	38	44	1	28	
NN Group N.V.	Large	Financials	92	100	51	81	✓
Pharming Group N.V.	SME	Technology	38	75	5	39	
Randstad N.V.	Large	Professional services	88	50	15	51	✓
RELX N.V.	Large	Consumer Services	88	81	0	57	✓
Royal Dutch Shell Plc	Large	Oil & gas	100	75	9	61	✓
Unilever N.V.	Large	Consumer goods	100	50	0	50	✓
Vastned Retail N.V.	SME	Financials	46	75	32	51	
Wereldhave N.V.	SME	Real estate	85	100	80	88	✓
Wolters Kluwer N.V.	Large	Consumer Services	77	19	0	32	
AVERAGE			75	65	15	49	