

**TRANSPARENCY IN  
CORPORATE REPORTING:  
ASSESSING THE WORLD'S  
LARGEST COMPANIES**

**Transparency International is the global civil society organisation leading the fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, we raise awareness of the damaging effects of corruption and work with partners in government, business and civil society to develop and implement effective measures to tackle it.**

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**Task Force**  **Financial Integrity & Economic Development**

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# TRANSPARENCY IN CORPORATE REPORTING

## Diagram 1 Index Results

Scale 0-10 where 0 is least transparent and 10 is most transparent. This Index is based on the unweighted average of results in all three categories.

**ACP** = result for reporting on anti-corruption programmes

**OT** = result for organisational transparency

**CBC** = result for country-by-country reporting

		ACP	OT	CBC
Statoil	8.3	100%	100%	50.0%
Rio Tinto	7.2	92%	100%	23.7%
BHP Billiton	7.2	92%	100%	23.6%
ArcelorMittal	6.9	85%	100%	21.3%
BG Group	6.7	100%	100%	2.4%
HSBC Holdings	6.7	92%	100%	8.0%
BASF	6.7	100%	100%	0.0%
France Telecom	6.6	81%	100%	17.2%
BP	6.6	92%	100%	5.6%
Allianz	6.6	88%	100%	8.5%
Tesco	6.5	69%	100%	26.2%
Novartis	6.5	92%	100%	1.8%
ExxonMobil	6.4	88%	100%	4.3%
Vodafone	6.4	85%	100%	7.5%
Wal-Mart Stores	6.4	77%	100%	14.0%
ANZ Banking	6.3	88%	100%	0.8%
Siemens	6.3	88%	100%	0.6%
GlaxoSmithKline	6.2	85%	100%	2.4%
Royal Dutch Shell	6.2	85%	100%	2.1%
ENEL	6.2	85%	100%	0.8%
GDF Suez	6.2	85%	100%	0.6%
Telefónica	6.2	69%	100%	15.5%
British American Tobacco	6.1	81%	100%	2.3%
Bayer Group	6.1	81%	100%	2.0%
Westpac Banking Group	6.0	96%	83%	1.7%
General Electric	6.0	81%	100%	0.3%
Home Depot	6.0	81%	100%	0.0%
L'Oréal Group	6.0	81%	100%	0.0%
Deutsche Telekom	6.0	73%	100%	6.3%
E.ON	6.0	77%	100%	1.7%
Roche Holding	5.9	77%	100%	0.9%
Sanofi-Aventis	5.9	77%	100%	0.4%
ENI	5.9	92%	83%	1.3%
Nestlé	5.9	73%	100%	3.6%
SAP	5.8	65%	100%	8.8%

Note: Google, Microsoft, Procter & Gamble, SAP and Shell are corporate supporters of Transparency International Secretariat. HSBC and Rio Tinto are members of Transparency International's Business Principles Steering Committee. Other companies covered in this report may also provide support to Transparency International chapters worldwide.

		ACP	OT	CBC
Toronto-Dominion Bank	5.7	62%	100%	8.3%
Unilever	5.7	69%	100%	0.4%
Banco Santander	5.4	46%	100%	17.3%
Oil & Natural Gas Corporation	5.4	46%	100%	15.9%
BNP Paribas	5.4	62%	100%	0.0%
Coca-Cola	5.3	77%	83%	0.0%
Occidental Petroleum	5.2	85%	67%	5.6%
Chevron	5.2	69%	83%	4.2%
Credit Suisse Group	5.1	54%	100%	0.0%
Total	5.1	92%	58%	1.7%
Amgen	5.0	85%	67%	0.0%
United Technologies Corporation	5.0	85%	67%	0.0%
AstraZeneca	5.0	96%	50%	3.3%
Merck & Co	4.9	81%	67%	0.3%
Hewlett-Packard	4.8	77%	67%	0.0%
Banco Bradesco	4.8	77%	67%	0.0%
Petrobras-Petróleo Brasil	4.7	92%	50%	0.0%
Vale	4.7	54%	83%	4.9%
Reliance Industries	4.7	23%	100%	18.3%
Intel	4.7	88%	50%	2.2%
Abbott Laboratories	4.7	88%	50%	2.1%
AT&T	4.7	73%	67%	0.4%
Lloyds Banking Group	4.6	38%	100%	0.0%
3M	4.5	85%	50%	0.4%
EDF Group	4.4	31%	100%	1.7%
Qualcomm	4.4	62%	67%	4.2%
Royal Bank of Canada	4.4	81%	50%	1.2%
América Móvil	4.4	31%	100%	0.0%
Johnson & Johnson	4.4	81%	50%	0.0%
Samsung Electronics	4.3	46%	83%	0.5%
IBM	4.2	77%	50%	0.4%
Procter & Gamble	4.2	92%	33%	0.0%
Oracle	4.1	88%	33%	1.7%
PetroChina	4.1	38%	83%	0.0%
United Parcel Service	4.1	88%	33%	0.0%

		ACP	OT	CBC
Barclays	4.0	69%	50%	0.8%
Schlumberger	4.0	69%	50%	0.7%
Saudi Basic Industries	4.0	69%	50%	0.0%
Philip Morris International	3.9	85%	33%	0.0%
China National Offshore Oil Corporation (CNOOC)	3.9	15%	100%	1.3%
Industrial and Commercial Bank of China (ICBC)	3.9	15%	100%	1.1%
Citigroup	3.8	81%	33%	0.0%
JPMorgan Chase	3.8	81%	33%	0.0%
Pfizer	3.7	77%	33%	0.0%
McDonald's	3.7	77%	33%	0.0%
ConocoPhillips	3.7	73%	33%	3.2%
PepsiCo	3.5	73%	33%	0.0%
Visa	3.5	73%	33%	0.0%
Cisco Systems	3.4	69%	33%	0.6%
Microsoft	3.4	69%	33%	0.0%
Walt Disney	3.4	69%	33%	0.0%
Goldman Sachs Group	3.3	50%	50%	0.0%
Teva Pharmaceutical Industries	3.3	50%	50%	0.0%
Verizon Communications	3.3	65%	33%	0.0%
Mitsubishi UFJ Financial	3.2	46%	50%	1.3%
Apple	3.2	62%	33%	0.0%
Bank of America	3.2	62%	33%	0.0%
Commonwealth Bank	3.1	38%	50%	5.5%
Canon	3.0	23%	67%	0.2%
Google	2.9	54%	33%	0.0%
Anheuser-Busch InBev	2.9	62%	25%	0.0%
Toyota Motor	2.8	46%	33%	4.3%
Gazprom, OAO	2.8	0%	83%	0.0%
Amazon.com	2.8	27%	50%	6.0%
Nippon Telegraph & Telephone Corporation	2.6	27%	50%	0.0%
Berkshire Hathaway	2.4	38%	33%	0.0%
China Construction Bank	1.9	8%	50%	0.0%
Honda Motor	1.9	8%	50%	0.0%
Bank of Communications	1.7	0%	50%	0.0%
Bank of China	1.1	0%	33%	0.0%

# 1. INTRODUCTION

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Countries around the globe are struggling to rebuild economies devastated by the financial crisis. Yet many of the world's largest publicly traded companies still do not demonstrate that they have put enough transparency measures in place to help prevent another economic meltdown. These companies continue to publish too little information about their commitments to comprehensive anti-corruption systems and their sprawling operations. They also report insufficiently on their corporate structures, preventing clarity about their true impact in countries around the world. As a result, the world's largest companies may contribute to an environment in which corruption can thrive.

This study analyses the transparency of corporate reporting on a range of anti-corruption measures among the 105 largest publicly listed multinational companies.<sup>1</sup> Together these companies are worth more than US\$11 trillion and touch the lives of people in more than 200 countries across the globe, wielding enormous and far reaching power. Their influence goes beyond investors, stock markets, suppliers and customers – it extends to those they employ and to the standards they set for working conditions and behaviour around the world. This powerful economic force can be a source of innovation, competition and prosperity, but when misused the result can be economic stagnation, poverty and inequality.

Corruption is a risk for multinationals on a number of fronts. Corruption destroys entrepreneurship, inhibits free markets and undermines the stability vital to successful economies. It also enables enormous flows of illicit money outside the real economy – in the form of unpaid taxes, bribes and laundered funds. Companies recognise this, but now more than ever before they must act to stop corruption. Transparency must be their resolute response, to address one of the root problems of the economic and financial crisis.

By adopting greater corporate transparency – publicly reporting on activities and operations – companies provide the necessary information for investors, journalists, activists and citizens to monitor their behaviour. The importance of corporate transparency for multinational companies is manifold as their influence crosses multiple jurisdictions. Multinationals operate through networks of related entities incorporated under diverse legislation but that are inter-related through myriad legal and business connections. Without transparency, many of these are almost impossible to trace.

Reporting on anti-corruption programmes, organisational transparency and country-by-country reporting gives a clear and comprehensive picture of a company's operations, revenues, profits and taxation. As a result, stakeholders have the information to make informed decisions and influence corporate behaviour. While even good reporting cannot ensure good company behaviour, it is an indication of commitment, awareness and action. It also enables wrongdoing or misinformation to be more readily uncovered. Ultimately, companies with a good track record of reporting on their anti-corruption programmes and global activities are more likely to be part of the solution than the problem.



## 2. EXECUTIVE SUMMARY

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Transparency International analysed publicly available information from company websites. Building on the experience of two previous studies, *Transparency in Reporting on Anti-Corruption* and *Promoting Revenue Transparency*<sup>2</sup>, the research explored three dimensions of transparency:

- Public reporting on anti-corruption programmes: covering bribery, facilitation payments, whistleblower protection and political contributions
- Organisational transparency: including information about corporate holdings
- Country-by-country reporting.

Multinationals have a long way to go to improve transparency. Approximately a half of the 105 companies do not publish information on their anti-corruption programmes and organisational transparency, and the average score in country-by-country reporting is very low.

### REPORTING ON ANTI-CORRUPTION PROGRAMMES

Although some multinational companies now report on their anti-corruption programmes, there is significant room for improvement with respect to the content of such programmes. For example, few indicate that facilitation payments are prohibited and reporting on monitoring procedures tends to be weak.

There has been some progress since 2009 when the last *Transparency in Reporting on Anti-Corruption* was published.<sup>3</sup> In particular, companies have improved in their reporting of anti-corruption programmes from an average of 47 per cent to 68 per cent.

### ORGANISATIONAL TRANSPARENCY

Most of the 105 companies disclose fully owned subsidiaries, but the concept of 'materiality' (See Box 4) limits detailed disclosure. Additionally only few companies disclose their affiliates, joint-ventures and other holdings. As a result, many related entities remain hidden from public view and scrutiny. The more holdings a company has, the less likely it is that any single holding will rise to the level of 'material' vis-à-vis the company as a whole. Thus significant numbers of corporate holdings go unreported, which are often those operating in the poorest and most vulnerable countries.

## COUNTRY-BY-COUNTRY REPORTING

Most of the companies disclose little or no financial data on a country-by-country basis. Where they do, disclosure is usually limited to discrete data on a few selected jurisdictions. Very few companies disclose financial data across all countries of operations.

## FINANCIAL SECTOR: SPECIAL SECTION

As the single largest sector in the sample, financial companies vary in terms of their results, but in general their performance is poor: as a group they performed below average in all three dimensions of transparency. In the context of the financial crisis, and given the role of transparency in reducing risk in financial markets, these results have prompted a special section on the financial sector companies evaluated in this report.

# POLICY RECOMMENDATIONS

## TO MULTINATIONAL COMPANIES:

- Companies should publish detailed information on their anti-corruption programmes
- Companies should publish complete lists of their subsidiaries, affiliates, joint ventures and other related entities
- Companies should publish individual financial accounts for each country of operations
- A transparent and informative corporate website, available in at least one international language, should be the standard communication tool for all multinational companies
- In view of their significant impact, financial companies should considerably improve their reporting on all transparency-related issues and should, in particular, extend their anti-corruption programmes to cover agents and intermediaries acting on their behalf and prohibit facilitation payments.

## TO GOVERNMENTS AND REGULATORY BODIES:

- National governments and the European Union should require companies under their jurisdiction to disclose all subsidiaries, affiliates, joint-ventures and other related entities
- National governments and the European Union should require companies under their jurisdiction to report on a country-by-country basis.

## TO THE INVESTOR COMMUNITY:

- Institutional and private investors should demand reporting on anti-corruption programmes, organisational transparency and country-by-country reporting and factor this information into their investment decisions
- Risk rating agencies as well as corporate responsibility indices should include company commitments to transparency measures as an integral part of their evaluation process
- Accounting standards relating to financial accounting as well as to corporate social responsibility reporting should include corruption-relevant disclosures.

## TO CIVIL SOCIETY ORGANISATIONS:

- Civil society organisations should get involved in the monitoring of multinational businesses located or operating in their countries to promote greater transparency
- Civil society organisations should focus advocacy efforts on multinational businesses located or operating in their countries to improve the depth and scope of their commitments to transparency, and in particular, to improve their level of anti-corruption reporting.



# 3. PROJECT RATIONALE AND METHODOLOGY

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*Transparency in Corporate Reporting: Assessing the World's Largest Companies* builds on Transparency International's existing work in combating corruption in the private sector. Although transparency does not necessarily equal good performance, Transparency International believes that reporting demonstrates a company's commitment to countering corruption and makes companies more easily accountable for shortcomings<sup>4</sup> (see Box 2).

This study assesses the transparency of corporate reporting by the 105 largest publicly listed multinationals, chosen according to their market value, based on data collected or made available between June and 15 October 2011. We are aware that relevant information may have been published by companies after 15 October 2011; however it is not taken into account in this report.\* As the study is designed for multinational companies only, companies that do not operate in multiple jurisdictions were eliminated from the sample.<sup>5</sup>

Transparency is measured on corporate reporting of three dimensions:

1. anti-corruption programmes
2. organisational structure
3. country-by-country reporting of revenues, transfers and value sharing.

These dimensions are all fundamental to transparency. Reporting on anti-corruption programmes is a basic preventative measure and enables companies to show their stakeholders that they are committed to countering corruption. Transparent organisational structures are necessary to ensure that contracts and financial flows are easily traceable. Country-by-country disclosure allows local citizens and civil society organisations to monitor companies' business relations, transfers and value sharing practices, as well as the money transfers to governments in the form of taxation and licensing.

The principle outcomes of this report are:

- The production of an overall index that ranks companies from the best to the worst performers across all three dimensions
- The production of three separate company rankings, one for each dimension.

\* Transparency International encourages companies to engage with us directly and inform us of relevant changes to their public disclosure since October 2011 or prompted by this report.

## DATA COLLECTION AND ANALYSIS

The data were collected exclusively from information or documents publicly available on each listed company's global website, including relevant links embedded in them, and collection was guided by a questionnaire structured along the three dimensions of transparency of corporate reporting:<sup>6</sup>

- *Reporting on anti-corruption programmes*: the 13 questions in this section were based on the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption.<sup>7</sup> The guidance was derived from the Business Principles for Countering Bribery developed by Transparency International.<sup>8</sup>
- *Organisational transparency*: the eight questions in this section focused on disclosure of companies' related entities, including subsidiaries, associates, joint-ventures and other holdings.
- *Country-by-country reporting*: for each country in which a company operates, a set of five questions relating to country-level financial data was posed.

In conducting the research, Transparency International 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. Preliminary data underwent a reliability check. The methodology, data and scores were shared with each of the companies, and they had the opportunity to review and comment on them. Of the 105 companies, 15 commented on the methodology and 52 took up the opportunity to review their data. Input from the companies was validated, and corrections were made as necessary and appropriate.<sup>9</sup>

## SCORING SYSTEM

Each question was scored on a scale of 0–1, with 1 being the best score. For some questions, a half point was awarded.<sup>10</sup> Points achieved for each question (13 in anti-corruption programmes, 8 in organisational transparency and 5 in country-by-country reporting) were totalled per dimension. As the maximum numerical score is different for each of the three dimensions, results are expressed in this report as a percentage.

For example, under the dimension 'reporting on anti-corruption programmes', there are 13 questions. The maximum score per question is 1, so the maximum numerical score is 13. A perfect numerical score of 13 is expressed in this report as 100 per cent. A result of 50 per cent means that the company received only 6.5 points.

The overall index is derived from taking a simple average of the results achieved for each dimension, rescaled from 0–10, where 0 is the worst and 10 the best score.

A note of caution regarding interpretation of the results: this report is based on data relating to 105 companies. As such, conclusions relate to these 105 companies only. With the exception of the financial sector, the sample sizes are too small to support broad conclusions.

## BOX 1: BEST PRACTICE

### THE DIMENSIONS OF TRANSPARENCY COVERED BY THE STUDY:

- **Public reporting on anti-corruption programmes**  
based on the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption
- **Disclosure of organisational transparency in corporate holdings**  
including subsidiaries, affiliates, joint-ventures and other holdings
- **Country-by-country reporting**  
on basic financial data and community contributions

Statoil, Rio Tinto and BHP Billiton achieved the top three positions in the index. These were also the only companies that scored in the top 10 in each of the three dimensions of transparency.

### STATOIL (NORWAY, OIL & GAS):

- 100 per cent in reporting on anti-corruption programmes
- Discloses all required information on organisational transparency except for its countries of operations
- Discloses information on revenues, taxes and community contributions on a country-by-country basis for all countries in which it operates.

### RIO TINTO (AUSTRALIA/UK, BASIC MATERIALS):

- Reports on all required elements of anti-corruption programmes except for regular monitoring of such programmes
- Discloses all required information on organisational transparency
- Discloses information on taxes on a country-by-country basis for all countries in which it operates.

### BHP BILLITON (AUSTRALIA/UK, BASIC MATERIALS):

- Reports on all required elements of anti-corruption programmes except for political contributions
- Discloses all required information on organisational transparency except for countries of operations
- Discloses information on taxes on a country-by-country basis for almost all countries in which it operates.

# 4. REPORTING ON ANTI-CORRUPTION PROGRAMMES





# 100%



**HIGHEST PERFORMING:**  
BASF, BG GROUP, STATOIL

# 68%



**AVERAGE**

# 0%



**WORST PERFORMING:**  
BANK OF CHINA, BANK OF  
COMMUNICATIONS, GAZPROM

# 4. REPORTING ON ANTI-CORRUPTION PROGRAMMES

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Anti-corruption programmes constitute a company's first line of defence against corruption in its many forms. Full and transparent disclosure of such programmes underscores a commitment to countering corruption and enhances ethical conduct among management, employees, partners, agents and other relevant parties throughout the value chain.

In 2009, the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption<sup>11</sup> was issued. This practical tool, derived from the *Business Principles for Countering Bribery*<sup>12</sup>, sets out clear recommendations for companies on the elements of their anti-corruption programmes that should be publicly disclosed.

Companies and their employees already know the value of anti-corruption programmes: a study by PricewaterhouseCoopers found that having an anti-corruption programme in place and publicising it was seen as valuable or very valuable to a company's brand by 86 per cent of companies surveyed.<sup>13</sup>

## BOX 2: IS REPORTING ON ANTI-CORRUPTION PROGRAMMES MEANINGFUL?

Some argue that the level of reporting a company makes is a superficial indicator, that reporting and compliance or good behaviour are not the same thing.

While recognising that reporting and compliance are not the same, there are strong arguments supporting the role of good reporting:

- The legal and reputational risks to which a company exposes itself by making false public statements act as a deterrent
- Public commitments make a company accountable to all its stakeholders and to the general public
- Public commitments facilitate monitoring by stakeholders and the general public
- Good public reporting supports and promotes good behaviour
- The publication of anti-corruption policies by multinational companies has a positive impact on employees worldwide because it confirms the parent company's commitment and support for ethical behaviour.



# COMPANY RESULTS

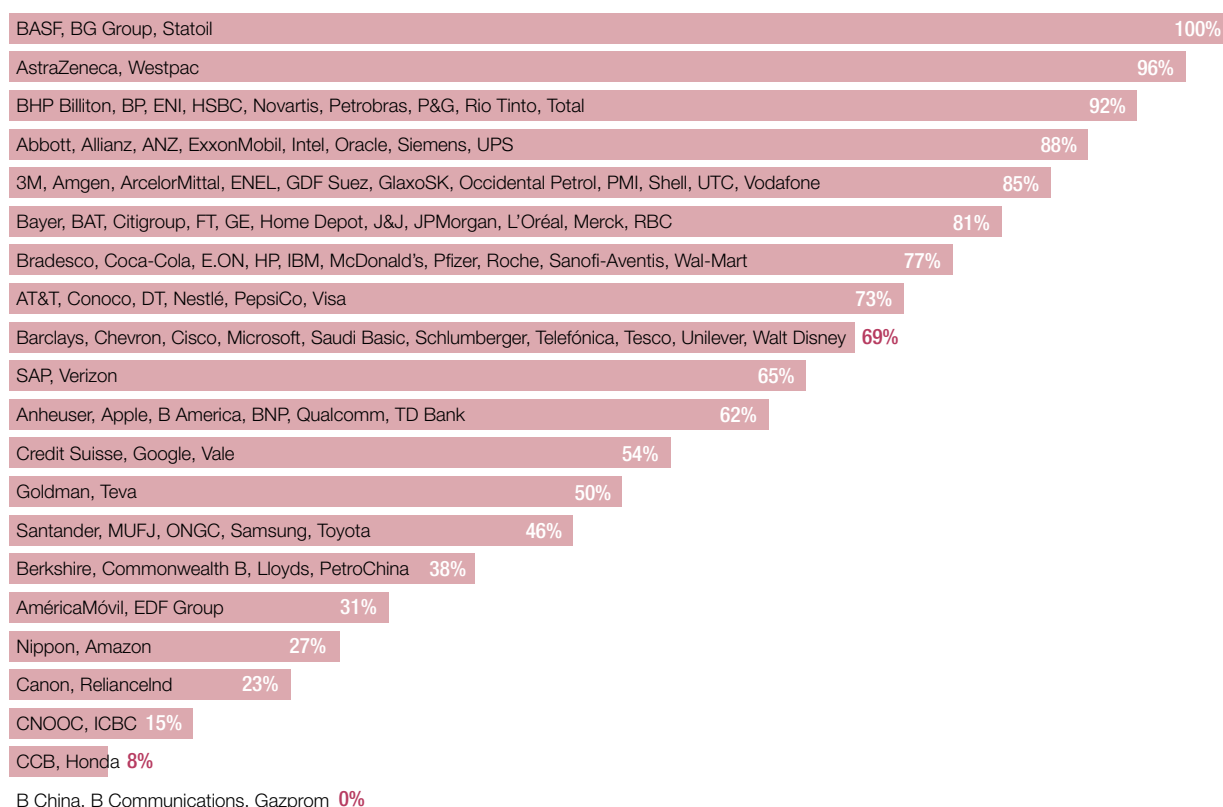
Companies had an average of 68 per cent in their reporting on anti-corruption programmes. This indicates a positive trend since Transparency International's 2009 report on corporate reporting practices.

Three companies, all based in Europe, achieved maximum possible scores: BASF, BG Group and Statoil. Half of the companies achieved 77 per cent or higher and 14 companies got more than 90 per cent. The bottom of the ranking is occupied by two Chinese banks and one Russian state-controlled oil and gas company: Bank of China, Bank of Communications and Gazprom.

The question that received the maximum possible score asked if a company publicly commits to complying with all relevant laws, including anti-corruption laws. Of the 105 companies, 97 publish such a commitment (including all US companies). The most troublesome question was on facilitation payments (see Diagram 3).<sup>14</sup> Some companies report having updated their policies on facilitation payments by introducing a full prohibition during or after completion of the research, while others have revealed that relevant updates will be adopted and published soon. Overall, however, results on the prohibition of facilitation payments were disappointing.

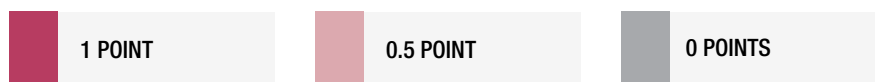
## Diagram 2 Reporting on Anti-Corruption Programmes

Where 100% means full transparency on anti-corruption programmes



### Diagram 3 Reporting on Anti-Corruption Programmes: Analysis by Question

Number of companies scoring 1/0,5/0 respectively, out of 105 analysed companies



QUESTION	# OF COMPANIES RECEIVING		
	1 POINT	0.5 POINT	0 POINTS
Compliance with laws committment	97		8
Code applies to all employees	94	1	10
Confidential reporting channel	85	4	16
Leadership support	86		19
Prohibition of retaliation for reporting	84	1	20
Gifts, hospitality, travel	82	3	20
Training programme in place	80	1	24
Zero-tolerance statement	75	4	26
Code applies to suppliers	61	1	43
Regular programme monitoring	56	3	46
Code applies to agents	55		50
Disclosure of political contributions	26	23	56
Prohibition of facilitation payments	21	2	82

# INDUSTRY HIGHLIGHTS

Financial companies constitute the biggest industry group in the sample (24 companies) and they received the lowest average result of 56 per cent. Within this group, results range across the entire spectrum (0 to 96 per cent). As a group the financial companies underperformed on every question in this section, most significantly with respect to reporting the prohibition of facilitation payments (only two banks posted a positive score in this area).

Oil and gas and basic materials include the full range of scores. This group included the three best performers (BASF, BG Group and Statoil) and the worst performer (Gazprom scoring 0).<sup>15</sup>

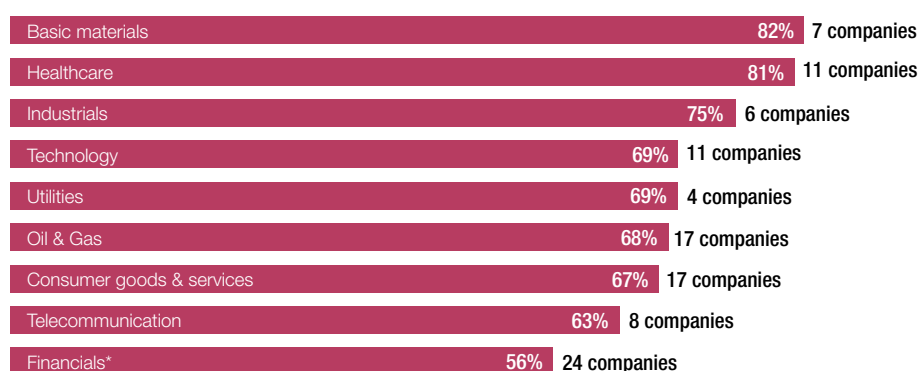
The average performance of the 11 healthcare companies was good; only Israeli Teva received a score below the sample average. Still, weak performance on disclosure of political contributions in the healthcare industry should be noted.

Among the 11 technology companies, the average performance was 69 per cent. Qualcomm is the only company in this group that has a publicly available policy prohibiting facilitation payments. The only internet company in the group, US company Google, posted a performance of 54 per cent.

Among telecommunication and utilities companies evaluated, the most striking feature is that French companies occupy both the first and the last positions. While GDF Suez achieved 85 per cent, its industry and country peer EDF Group received 31 per cent.

## Diagram 4 Reporting on Anti-Corruption Programmes: Average Company Performance by Industry

Where 100% means full transparency on anti-corruption programmes.



# 5. ORGANISATIONAL TRANSPARENCY



# 100%



**HIGHEST PERFORMING:**  
45 OUT OF 105 COMPANIES

# 72%



**AVERAGE**

# 25%



**WORST PERFORMING:**  
ANHEUSER-BUSCH INBEV

# 5. ORGANISATIONAL TRANSPARENCY

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Organisational transparency is particularly important in the case of multinational companies that operate through a network of interconnected subsidiaries, affiliates, joint-ventures and other holdings that may be incorporated in diverse jurisdictions, including secrecy jurisdictions. Critical issues such as inter-company financial flows can only be followed if corporate networks are disclosed.

To determine the dimension of the report focusing on organisational transparency, the amount of information companies disclose on their related holdings is assessed.<sup>16</sup> Questions cover the names, percentage holdings and country of operations for both fully consolidated and non-fully consolidated company holdings.<sup>17</sup>

Local stakeholders need to know which companies are operating in their territories, bidding for government licences or contracts, or have applied for or obtained favourable tax treatment. They need to know to which international corporate networks these companies belong and how they are related to other companies operating in the same countries. Disclosure of corporate holdings shines a light on corporate practice when it comes to such issues as intra-company payments, government payments and transparency in general. The need for transparency is especially acute in the developing world, where both public and private sector openness may not reflect highest standards and/or enable citizen oversight.



## BOX 3: COUNTRIES OF INCORPORATION V COUNTRIES OF OPERATIONS

**Country of incorporation** refers to the jurisdiction in which the company is created. It defines rules of corporate governance, applicable regulatory and tax regimes. **Country of operations** refers to where a company actually engages in business (holds assets, enters into contracts, maintains premises, generates revenues, employs people, impacts on the environment).

- Sometimes the country of incorporation and operations are the same, sometimes they are different. The following table provides some examples (from the companies assessed) of when the two are different:

COMPANY	HOLDING	COUNTRY OF INCORPORATION	MAIN COUNTRY OF OPERATIONS
1	A	Bahamas	Algeria
	B	British Virgin Islands	Azerbaijan
	C	British Virgin Islands	Russia
	D	Cayman Islands	Azerbaijan
	E	Cayman Islands	Azerbaijan
2	A	Cayman Islands	Bolivia
	B	Cayman Islands	Egypt
	C	Cayman Islands	India
3	A	Cayman Islands	New York, USA
	B	Cayman Islands	London
	C	British Virgin Islands	Bangkok
	D	Turks & Caicos Islands	Florida, USA
	E	British Virgin Islands	New York, USA
4	A	Bermuda	Indonesia
	B	Bermuda	Indonesia
	C	Singapore	Australia
	D	Isle of Man	Indonesia
5	A	Jersey	Middle East
	B	Bermuda	Hong Kong

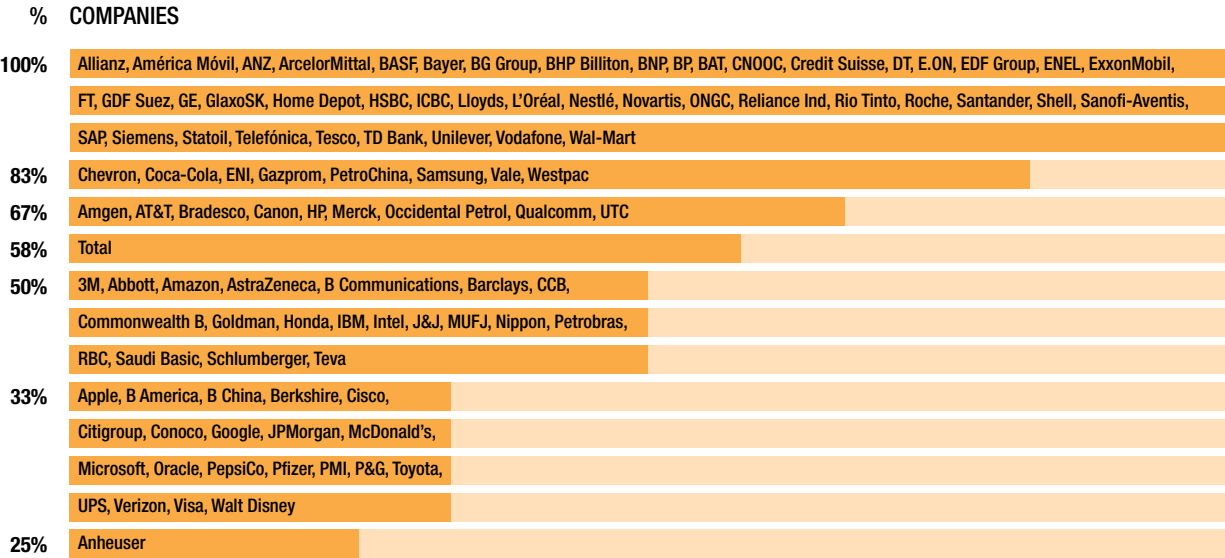
Transparency International recommends full disclosure of both the country of incorporation and of operations. Such information is critical to multiple stakeholders (investors and citizens) in both countries in order to determine the true nature and extent of a company's activity.

# COMPANY RESULTS

The average result in organisational transparency was 72 per cent and 45 out of the 105 companies achieved maximum possible scores. While this may appear to be a good result, it must be seen in the context of this study, the requirements of which are relatively easy to achieve, needing only the disclosure of 'material' entities (to the exclusion of non-material entities - see Box 4).

## Diagram 5 Organisational Transparency

Where 100% means full organisational transparency



## BOX 4: MATERIALITY

- In “organisational transparency”, companies were evaluated on their disclosure of *material* entities.
- *Materiality* is defined by applicable accounting standards, regulations and stock exchange rules. For example, in the US, materiality is defined by the SEC as follows:
  1. the investment exceeds 10 per cent of the company's consolidated assets
  2. the share in the subsidiary's assets exceeds 10 per cent of its own consolidated assets
  3. the share in the subsidiary's income before tax exceeds 10 per cent of its own consolidated income.
- The list of *material* holdings can be surprisingly short because the application of the materiality rules to each individual holding can result in the exclusion of many of them. Thus, a company that operates through fully-owned subsidiaries in 40 countries could end up listing only a handful of subsidiaries because no single subsidiary is *material* on its own. The more holdings a company has, the less likely any one of them will be *material*.
- The holdings most likely to be non-material and therefore omitted are those from developing countries and secrecy jurisdictions, but these are exactly the holdings that companies should disclose because they are the ones for which information is otherwise unavailable.

Because *materiality* can prove to be a significant limiting factor, Transparency International strongly encourages multinational companies to publicly disclose exhaustive lists of their holdings, regardless of their *materiality*. Such lists should be readily accessible on the company website.

## INDUSTRY HIGHLIGHTS

All four utility companies received maximum possible scores. Technology companies, at the other end of the spectrum, disclosed the least information on their corporate structures.

The largest industry group, the financial sector, received an average of 67 per cent, below the sample average. Although eight financial companies received maximum possible scores, no US financial services firm was among them.

Among consumer goods and services, seven companies posted maximum possible scores, five of them European and two from the US: the average result was 65 per cent.

Oil and gas and basic materials generally performed well in this dimension. Among the 24 companies representing these two groups there were 13 maximum possible results and only one company achieved less than 50 per cent. The Chinese companies from this industry scored well on their disclosure of subsidiaries.

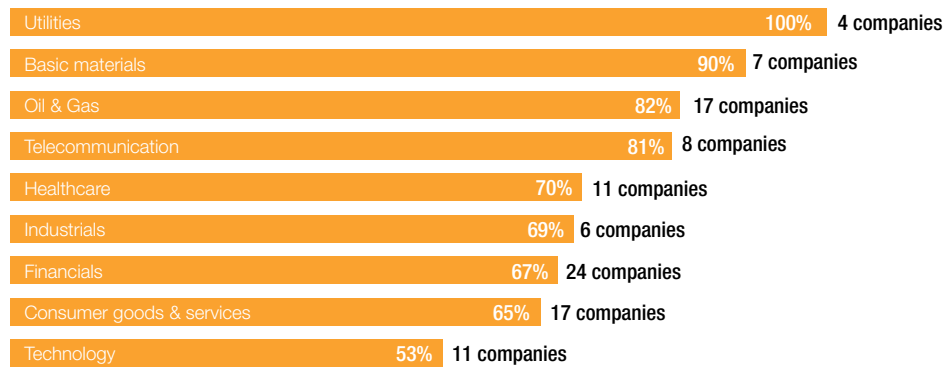
The technology industry received the worst average result of 53 per cent. Only the two non-US based companies, SAP and Samsung, performed highly.

Healthcare companies had an average of 70 per cent, close to the average for the whole sample. Pfizer posted the weakest result (33 per cent) and Astra Zeneca was the only European company that did not receive a maximum possible result.

Both utilities and telecommunication performed well. As with the other groups, the differences in the telecoms industry were region-bound, with the US companies performing worse than the Europeans.

## Diagram 6 Organisational Transparency: Average Company Performance by Industry

Where 100% means full organisational transparency



# 6. COUNTRY- BY-COUNTRY REPORTING





# 50%



HIGHEST PERFORMING:  
STATOIL

# 4%



AVERAGE

# 0%



WORST PERFORMING:  
41 OUT OF 105 COMPANIES

# 6. COUNTRY-BY-COUNTRY REPORTING

---

This section evaluates country-by-country disclosure of international operations by multinational companies. An industry-neutral set of criteria was used to measure the degree of transparency in financial reporting of revenues, capital expenditure, income before tax, income tax, and community contributions.

Citizens, including those in developing countries that often host multinationals, must have adequate information in order to assess the activities of companies operating in their territory. These businesses generate revenues and profits locally and so contribute to the public budget through royalties, taxation and the like. Government contracts may include, for example, tax incentives, which need to be transparently and fairly negotiated and disclosed. In this way, local authorities can be held accountable to their citizens and to the international community. In the absence of country-by-country reporting, the local public is unaware of how much profit such operations generate and what, if any, special arrangements their governments may have entered into with multinational companies.

The importance of full and transparent disclosure on a country-by-country basis is apparent throughout the developing world. For example, in resource-rich Mozambique, multinational companies that engage in large mining projects are exempt from corporate tax, import and export duties, VAT and sometimes even income tax payments.<sup>18</sup> The failure of multinational companies to report fully on all their operations in Mozambique, one of the world's poorest countries, makes it difficult, if not impossible, for the people of Mozambique to demand accountability from the multinationals and their government for such practices.

## COMPANY RESULTS

Multinational companies operate globally and they typically report to the tax authorities in each country where their subsidiaries are incorporated or doing business. This means that multinational companies possess financial information internally on a country-by-country basis, but they rarely present it in this form to the public.

The graphical presentation (Diagram 7) of company ranking for country-by-country reporting is dramatic. First, the high concentration of companies at the very bottom of the scale indicates a very weak performance. Second, the scale tops out at 50 per cent, which means that the best scoring company received only a half of the maximum possible score. Third, there is just one company on the very top (Statoil), 10 companies in the mid-range, 53 companies in the range from 0.1 per cent to 10 per cent and 41 companies scoring zero.<sup>19</sup>

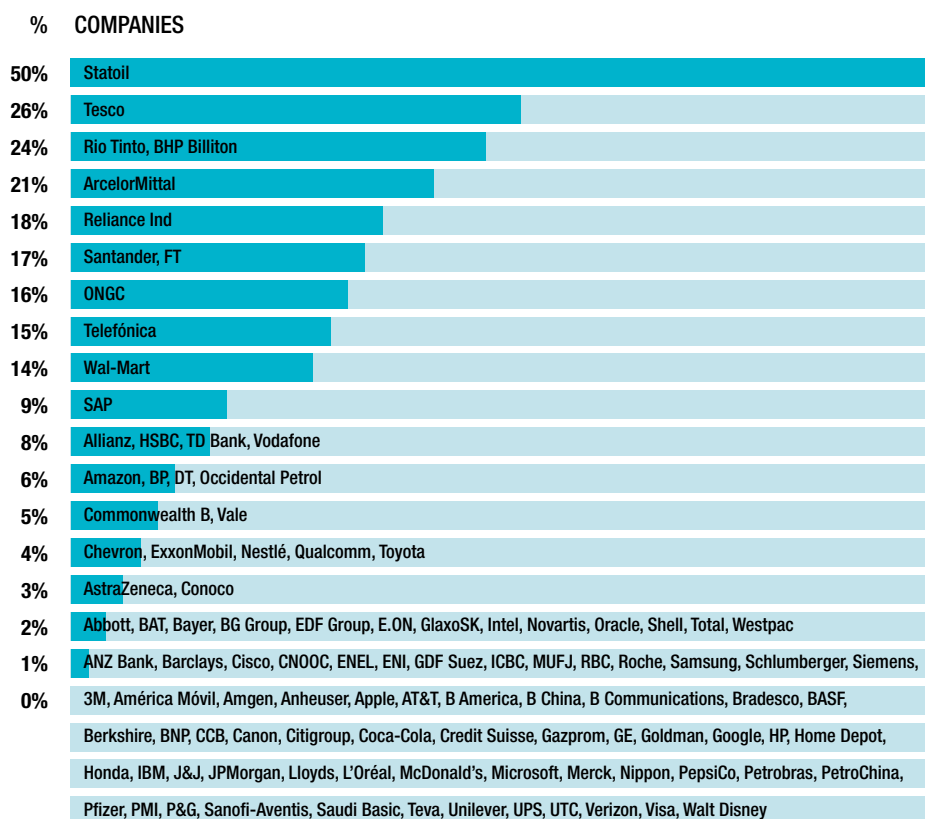
The average result in this category was only about four per cent. This very weak result may be attributed to any one or all of several factors. First, reporting on a country-by-country basis has not yet been the subject of regulatory attention. This should improve as relevant legislation that requires extractive companies to report payments to governments comes into effect (in the United States the Dodd-Frank Act and similar legislation pending in the EU). Second, companies tend to aggregate their accounts only by region for reporting purposes, even though country-level data is available to them. While regional presentation may be easier, valuable detail is lost in the aggregation.

Statoil is by far the best performer in this category. This European, but non-EU company, discloses a set of financial data, including details of payments to governments, in all its countries of operations. This type of disclosure has been made on a yearly basis for several years. Transparency International strongly encourages other multinational companies to significantly increase their performance.

There are only four companies in the sample that disclose at least one type of financial data across all (or almost all) countries of operations: BHP Billiton, Rio Tinto, Statoil and Tesco.

## Diagram 7 Country-by-Country Reporting

Where 100% means a company is fully transparent in all its countries of operation



## BOX 5: EXAMPLES OF GOOD COUNTRY-BY-COUNTRY DISCLOSURE

Transparency International looked at five areas of financial reporting on a country-by-country basis: revenues, capital expenditure, income before tax, income tax, and community contributions.

Among the selected companies, only four disclosed some of the financial data in all countries in which they operate: Statoil, Tesco, Rio Tinto, BHP Billiton.

### STATOIL

- Score: 50 per cent
- 37 countries of operations (including Norway)
- The company discloses a comprehensive country-by-country data table and includes all countries in which it operates. It includes the following financial data: revenues, taxes and community contributions.

### TESCO

- Score: 26 per cent
- 14 countries of operations (including the UK)
- The company discloses revenues on a country-by-country basis for all countries in which it operates (the revenue for India is not explicitly stated, but it can be easily calculated)
- Some additional data points on capital expenditure and community contributions are published.

### RIO TINTO

- Score: 24 per cent
- 28 countries of operations (including the UK and Australia)
- The company discloses the amount of taxes paid on a country-by-country basis for all countries in which the company operates
- Some additional data (revenues for six countries) are also published.

### BHP BILLITON

- Score: 24 per cent
- 15 countries of operations (including the UK and Australia)
- The company discloses taxes on a country-by-country basis for all its countries of operations except for Mozambique.
- Some additional data points on capital expenditure and revenues are also disclosed.

The remaining companies only disclose limited data on a limited number of selected countries. Most frequently, they reveal their country-by-country data on sales and income taxes and partial data on community/charitable contributions. Least frequent is disclosure on capital expenditure.

Three companies: ONGC, Reliance Industries and SAP disclose certain financial data on a subsidiary basis, which is a step towards corporate transparency, but different and less informative than country-by-country disclosure. For these companies, partial scores were awarded for this commitment to greater transparency, but Transparency International encourages them to take further steps and add country-by-country disclosure to their reporting. For more discussion of this issue, see Box 6.

## **BOX 6: SUBSIDIARY-BY-SUBSIDIARY VS. COUNTRY-BY-COUNTRY REPORTING**

**Some companies in our sample report partial financial data on a subsidiary-by-subsidary basis. They are:**

- ONGC (India)
- Reliance Industries (India)
- SAP (Germany)

**Such reporting is a positive step towards greater transparency because:**

- It constitutes a good basis to evaluate subsidiary performance and related taxation
- It allows for more transparency in inter-company flows within multinational corporations.

**However, country-by-country reporting is preferable because:**

- Larger subsidiaries may have cross-border operations. In this case, country-level disclosure is lost by reporting only on a subsidiary level.
- Smaller subsidiaries may be omitted as non-material, but there may be several such “non-material” subsidiaries in a given country, making the company’s presence in that country quite relevant overall.

**Why do we advocate for country-by-country reporting?**

- It exposes the link between the parent company and the local jurisdiction in which it operates, making companies accountable in both places
- It provides a basis on which to evaluate all of the company’s activities in a particular country: its sales, costs, profits, royalties, taxes
- It sheds light on any special arrangements between governments and companies, resulting in greater accountability
- It ensures disclosure of all holdings, material and non-material.



## INDUSTRY HIGHLIGHTS

The best performing sectors were basic materials and oil and gas – achieving the highest average scores. Companies from these two industries took six of the top 10 positions in the ranking.

Among the 24 financial institutions evaluated, 13 companies disclose no data on their foreign operations, seven companies disclosed single data points and only four companies disclosed considerable country-level data: Allianz, Banco Santander, HSBC and Toronto-Dominion Bank.

Among the 17 consumer goods and services companies, 10 companies disclosed no relevant data, two companies disclosed single data points and only five companies disclosed considerable country-level data, among which Tesco made it to the second position in the ranking.

Companies often argue that country-by-country reporting can be hindered by local legal, regulatory or even informal requirements. This argument is most often put forward in the context of developing countries.

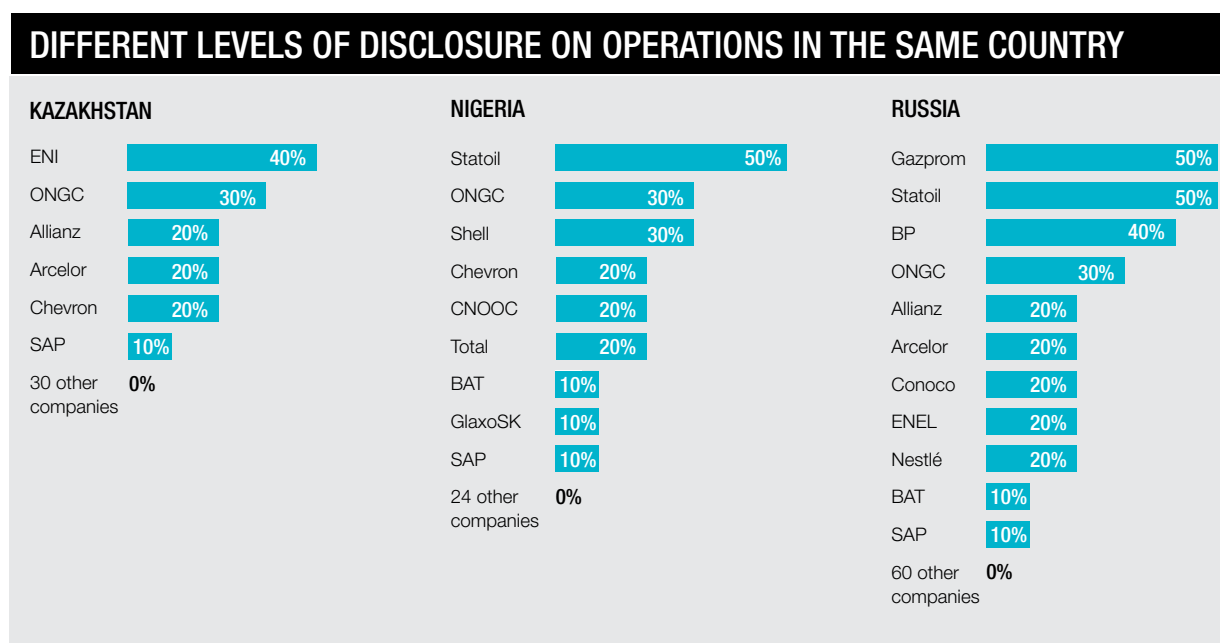
Kazakhstan, Nigeria and Russia were examined to assess the validity of this argument. It was found that even in these challenging environments, some companies were able to disclose information, even if the majority did not.

In the diagram below the three countries are compared. Thirty-six companies from our sample operate in Kazakhstan, of which 30 disclose no data on their Kazakh operations. Among the six companies that disclose some data on their operations in Kazakhstan, results range from 10 per cent to 40 per cent. Among the 33 companies operating in Nigeria, 24 report no data and the remaining nine achieve results between 10 per cent and 50 per cent. Among the 71 companies operating in Russia, only 11 produce any country-level reporting and they received results of between 10 per cent and 50 per cent.

Such observations demonstrate that local conditions are not an excuse for poor country-by-country reporting. Companies that make the effort can disclose country-by-country information even in challenging environments.

## Diagram 8 Country Level Reporting Examples

Where 100% means a company fully reports on its operations in the specified country



In contrast to the poor results in country-by-country reporting with respect to their international activities, companies disclose considerable data on their domestic operations. Two companies, Exxon Mobil and 3M achieved 100 per cent, which means that they disclose all recommended data for their US operations. Disappointingly however, 12 companies, among them six Europeans, received a zero score for disclosure with respect to their domestic operations.

If companies can achieve good levels of disclosure with respect to their domestic activities (note that Chinese companies performed relatively well in reporting on domestic operations), it should be possible for them to do the same for overseas operations.

# 7. FINANCIAL SECTOR: SPECIAL SECTION

6.7/10



HIGHEST PERFORMING:  
HSBC HOLDINGS

4.2/10



AVERAGE

1.1/10



WORST PERFORMING:  
BANK OF CHINA

# 7. FINANCIAL SECTOR: SPECIAL SECTION

Financial companies constitute the single largest industry sector in the sample. Among the 24 financial institutions in the survey there are 19 banks, four diversified financial service providers and one insurance company. They are incorporated in 11 different countries: six in the US, four in China, three in Australia, three in the UK, two in Canada and one in each of the following countries: Brazil, France, Germany, Japan, Spain and Switzerland.

The recent global financial crisis highlighted the need to broaden the discussion about regulation and oversight of the financial system. Transparency and related risk assessments of financial institutions have surged to the top of the agenda.

In the overall index, financial companies scored on average 4.2. One US and three Chinese companies are among the least transparent of those assessed.

		ACP	OT	CBC
HSBC Holdings	6.7	92%	100%	8.0%
Allianz	6.6	88%	100%	8.5%
ANZ Banking	6.3	88%	100%	0.8%
Westpac Banking Group	6.0	96%	83%	1.7%
Toronto-Dominion Bank	5.7	62%	100%	8.3%
Banco Santander	5.4	46%	100%	17.3%
BNP Paribas	5.4	62%	100%	0.0%
Credit Suisse Group	5.1	54%	100%	0.0%
Banco Bradesco	4.8	77%	67%	0.0%
Lloyds Banking Group	4.6	38%	100%	0.0%
Royal Bank of Canada	4.4	81%	50%	1.2%
Barclays	4.0	69%	50%	0.8%
Industrial and Commercial Bank of China (ICBC)	3.9	15%	100%	1.1%
Citigroup	3.8	81%	33%	0.0%
JPMorgan Chase	3.8	81%	33%	0.0%
Visa	3.5	73%	33%	0.0%
Goldman Sachs Group	3.3	50%	50%	0.0%
Mitsubishi UFJ Financial	3.2	46%	50%	1.3%
Bank of America	3.2	62%	33%	0.0%
Commonwealth Bank	3.1	38%	50%	5.5%
Berkshire Hathaway	2.4	38%	33%	0.0%
China Construction Bank	1.9	8%	50%	0.0%
Bank of Communications	1.7	0%	50%	0.0%
Bank of China	1.1	0%	33%	0.0%

**Diagram 9**  
Index Results in the  
Financial Sector

Scale 0-10 where 0 is the least transparent and 10 is the most transparent. This Index is based on the unweighted average of results in all three categories.

ACP = result for reporting on anti-corruption programmes

OT = result for organisational transparency

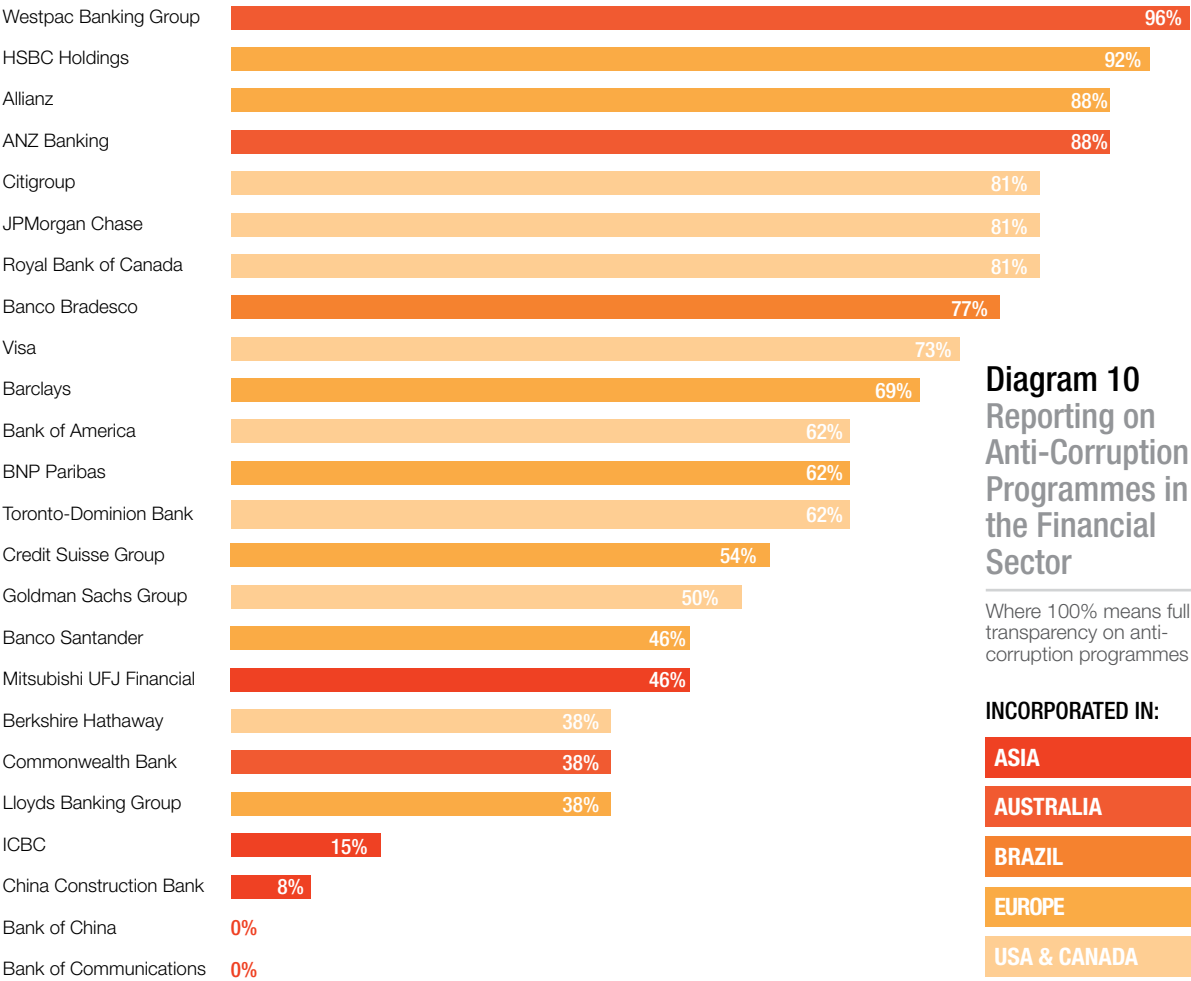
CBC = result for country-by-country reporting

# REPORTING ON ANTI-CORRUPTION PROGRAMMES

The average result in reporting on anti-corruption programmes was 56 per cent, which is the lowest result among all industry groups. While this result reflects the fact that four Chinese banks occupied the last four positions, it is worth mentioning that the remaining financial companies were also below average. The best performing financial institution was Westpac Banking Group, which achieved a close to maximum possible score, missing only half a point in monitoring its anti-corruption programmes.

The large disparity in scores reflects the fact that such reporting is mostly voluntary. Financial companies, although highly regulated, are generally free to choose the level of public disclosure regarding their anti-corruption programmes. Some financial institutions expressed concern regarding disclosure of their anti-corruption programmes, indicating that they viewed these as part of their internal risk management. As such, they argue, these programmes should be kept confidential in order to gain competitive advantage. However, results show that some banks score well in this dimension. It is therefore possible to separate disclosure of proprietary risk models from best practice in anti-corruption reporting.

## FINANCIAL COMPANIES



**Diagram 10**  
Reporting on Anti-Corruption Programmes in the Financial Sector

Where 100% means full transparency on anti-corruption programmes

### INCORPORATED IN:

- ASIA
- AUSTRALIA
- BRAZIL
- EUROPE
- USA & CANADA

Based on the publicly available documents Transparency International evaluated, financial institutions do not report having extended their anti-corruption policies to the agents and intermediaries acting on their behalf. They also do not report having applied such requirements to other third parties with whom they do business, such as contractors and suppliers.

Facilitation payments are another issue that has rarely been addressed in public information by companies in the financial sector: only five of the 24 companies report that they prohibit such payments. Full disclosure of policies on political contributions and any actual political contributions made is another area that needs significant improvement.

## ORGANISATIONAL TRANSPARENCY

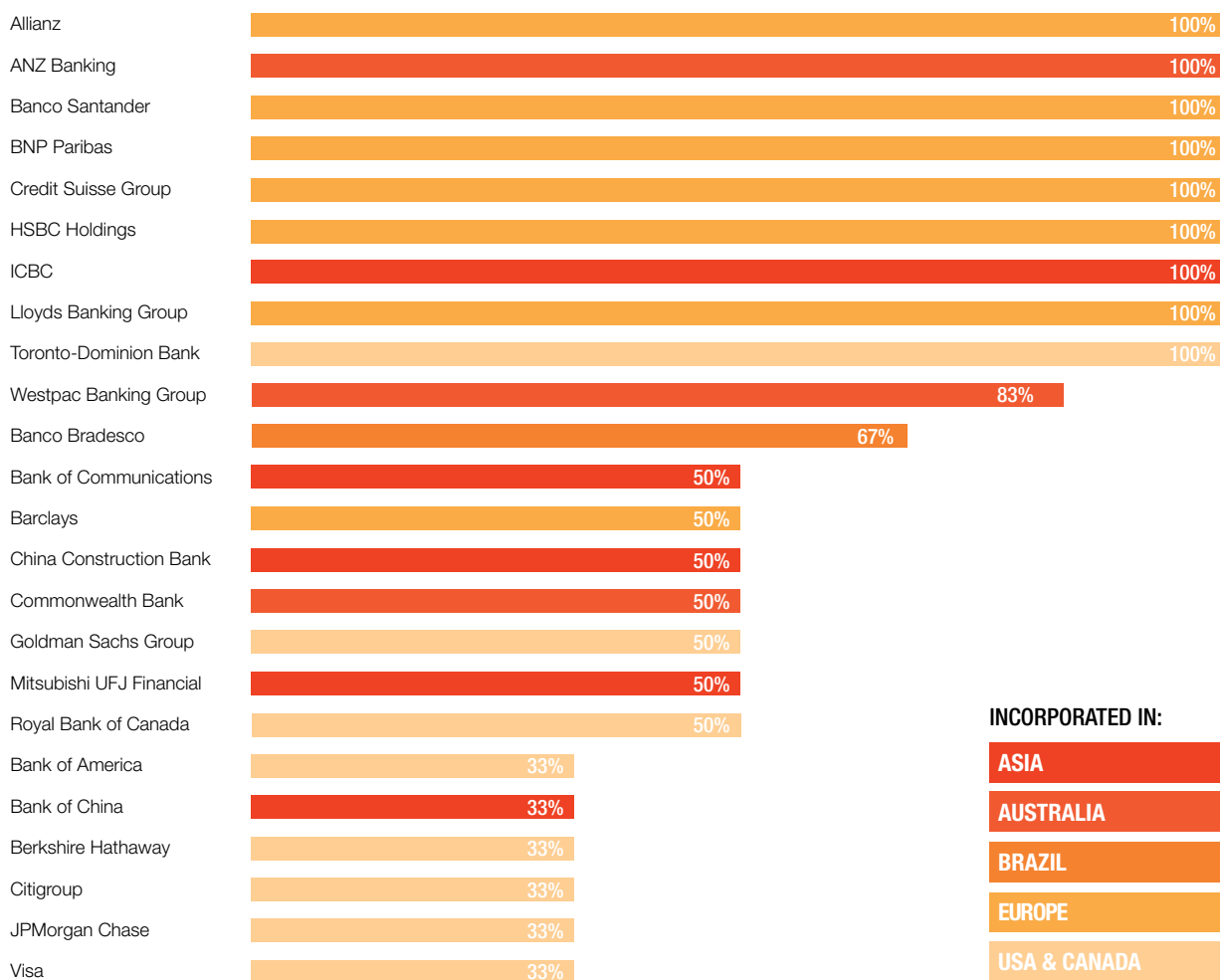
The average result in this group was 67 per cent as compared to 72 per cent for the sample population. Among the financial companies scoring in the top 10 for organisational transparency, there was not a single US financial institution. Chinese banks performed much better in organisational transparency than they did in reporting on anti-corruption policies. Of the seven European banks, six received maximum possible scores in organisational transparency.



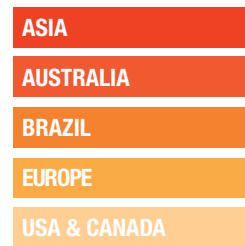
## Diagram 11 Organisational Transparency in the Financial Sector

Where 100% means full organisational transparency

### FINANCIAL COMPANIES



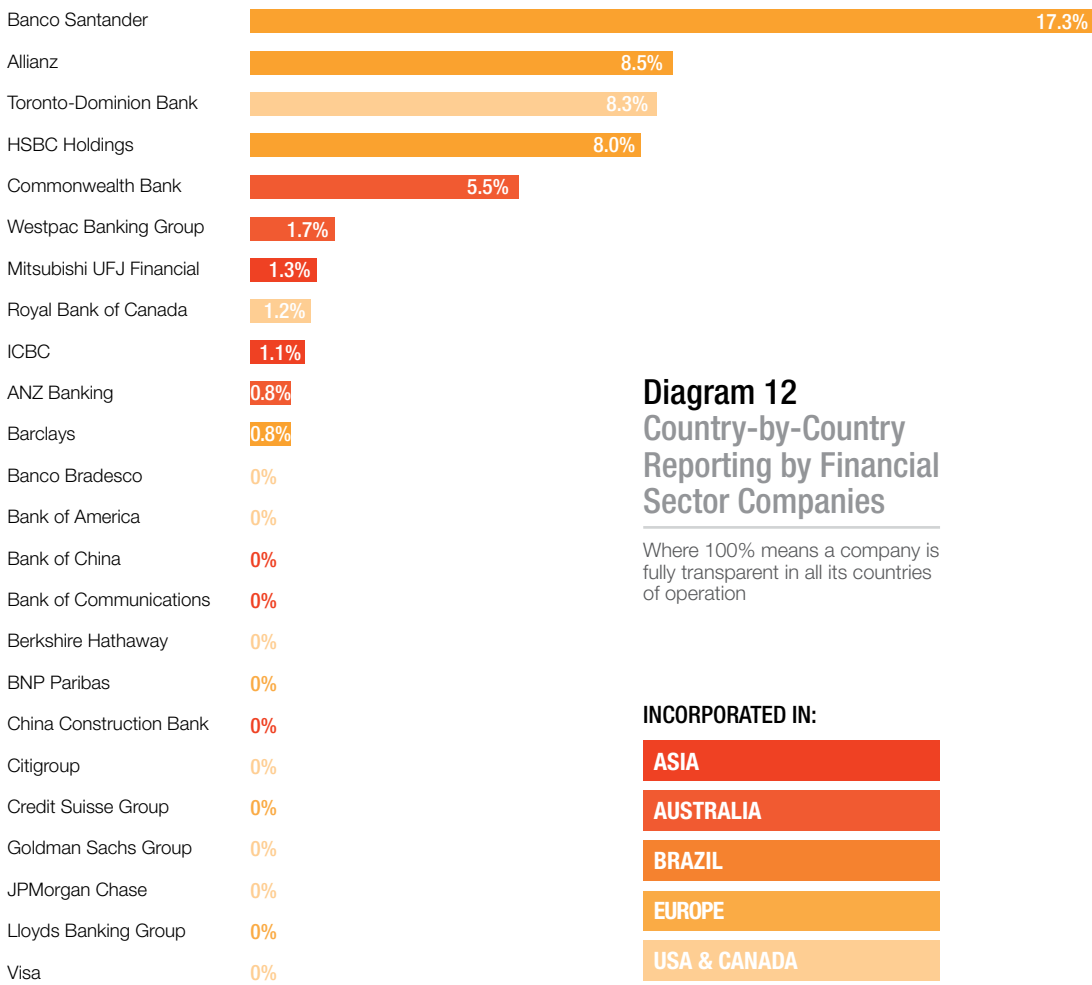
### INCORPORATED IN:



# COUNTRY-BY-COUNTRY REPORTING

The average result for financial companies on country-by-country reporting was a very low 2.3 per cent. The best performer, Banco Santander, received only 17.3 per cent. While reporting even less information, Allianz, Toronto-Dominion Bank, HSBC and Commonwealth Bank performed relatively well compared to their peers. Six other financial companies disclosed almost no information on a country-by-country basis, and the remaining 13 disclosed nothing at all in this dimension.

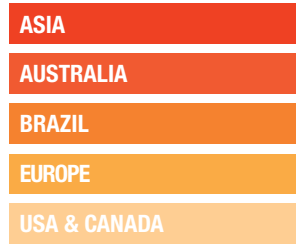
## FINANCIAL COMPANIES



**Diagram 12**  
Country-by-Country Reporting by Financial Sector Companies

Where 100% means a company is fully transparent in all its countries of operation

### INCORPORATED IN:



Transparency International strongly advocates for greater transparency in the financial sector. Multinational financial businesses, those that are ‘too big to fail’, play a critical role in ensuring the soundness of and confidence in the global economy. The results of this research indicate that these players are not transparent in reporting on anti-corruption programmes, organisational transparency or country-by-country reporting and should be playing a greater part in combating corruption.

If and when financial institutions fail to self-regulate, governmental regulators need to step in. And where voluntary or imposed regulation fails, investors and civil society must raise their voices and demand greater transparency.

# 8. POLICY RECOMMENDATIONS

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On the basis of the analysis, Transparency International has formulated the following policy recommendations.

## TO MULTINATIONAL COMPANIES:

- **Anti-corruption programmes should be publicly available.**

Public reporting on anti-corruption commitments increases credibility and accountability: it sends a strong and clear message to stakeholders, gives support to employees, and enhances anti-corruption efforts.

Good results in this dimension of the study indicate that many companies have already adopted relevant reporting standards. Nevertheless, even among the biggest publicly listed multinationals, there are a number who may claim to have appropriate internal policies, but do not report on them.

- **Companies should publish exhaustive lists of their subsidiaries, affiliates, joint-ventures and other related entities.**

Currently, many companies publish lists of their 'material' subsidiaries; some companies also list their material affiliates and joint-ventures, but only a small number of multinational companies publish information on all of their related entities. The 'materiality' criteria can result in the exclusion of many holdings that are relevant for understanding and evaluating a company's tax structure and anti-corruption compliance. For example, a subsidiary operating in a developing country in which tax collection is a major problem often does not meet the 'materiality' criteria of a big multinational company, although the scale of its operations is significant to the local population.

Such lists of all holdings do not have to be included in annual reports, but they should be easily accessible from corporate websites in one form or another. Ideally, they should include information on each company name, the percentage owned by the group, the place of incorporation and some basic information on company operations (i.e., where it is and what kind of business it conducts).

- **Companies should publish individual financial accounts for each country of operations.**

While publishing individual financial accounts for each country represents a relatively small incremental effort for multinational companies, as the information is already available to them internally, it will have a big impact on the countries in which they operate. Currently, very few companies publish their data on a country-by-country basis and even the companies that do usually limit their disclosure to a small set of data.

While most companies declare their commitment to supporting local communities, they significantly hamper the monitoring of this commitment by failing to publish adequate detailed financial information on their local operations. Transparency of country-level activity and disclosure of profit, transfers, taxes and government contracts are necessary preconditions to effective monitoring of a company's impact on local economic development.

- **A transparent and informative corporate website, available in at least one international language, should be the standard communication tool for all multinational companies.**

Most multinational companies have already accepted publicly available websites as a basic means of corporate communication. But, some still reserve a great deal of corporate information for their registered investors, employees or selected stakeholders. Transparency International strongly encourages all companies to populate their websites with the greatest possible number of financial and non-financial reports and corporate documents available to the general public. This would offer numerous benefits: a well-founded reputation of openness and transparency attracts more ethical employees and investors, and enhanced reporting enables civil society to play its oversight role.

- **In view of their significant impact, financial companies should considerably improve their reporting on all transparency-related issues and should, in particular, extend their anti-corruption programmes to cover agents and intermediaries acting on their behalf and prohibit facilitation payments.**

Transparency International advocates that multinational financial companies improve their reporting on anti-corruption programmes, organisational transparency and their country-by-country operations. This sector plays a critical role in the global economy and its transparency is central to countering global corruption and illicit money flows.

Of particular concern, given the common use of agents and intermediaries by financial institutions, is the fact that public reports on their programmes do not cover such agents and intermediaries acting on their behalf. Likewise, low-levels of reporting would indicate that the financial sector is prone to facilitation payment risk. The fact that such payments are not explicitly prohibited in public information is therefore of great concern.

## **TO GOVERNMENTS AND REGULATORY BODIES:**

- **National governments and the European Union should require companies under their jurisdiction to disclose all subsidiaries, affiliates, joint-ventures and other related entities.**

Currently, laws and regulations generally limit disclosure of holdings to material investments. This standard often results in limited disclosure and can even result in the omission of most group holdings. An exhaustive list of related entities for each multinational company should be publicly available, if not in an annual report, then as a separate document accessible from the corporate website. Such lists should include each entity's name, the group's interest in them, and countries of incorporation and operation. This information is a necessary precondition to enable the monitoring of financial flows into and from countries.

Transparency International encourages national and European Union regulators to impose higher standards of transparency and require the publication of detailed information on the organisational structures of multinational companies, regardless of industry.

- **National governments and the European Union should require companies under their jurisdiction to report on a country-by-country basis.**

The adoption of the Dodd-Frank legislation in the United States in 2011 was a positive and significant step towards ensuring more country-by-country transparency in international business by requiring extractive companies registered on a US stock exchange to report their governmental payments on a country-by-country basis. EU legislators are currently considering new transparency rules for the oil, gas, mining and logging industries.

Transparency International recommends that all national governments and EU regulators follow the lead and adopt legislation that promotes the highest possible standards. Indeed, they should go beyond existing legislation and require *all* multinational companies, regardless of industry, to publicly disclose their financial accounts on a country-by-country basis. Such transparency would greatly enhance monitoring of money flows, government contracts, and tax and royalty payments.

## TO INVESTORS:

- **Institutional and private investors should demand reporting on anti-corruption programmes, organisational transparency and country-by-country reporting and factor this information into their investment decisions.**

Investors should demand that companies provide them with the information they need to make investment decisions that are consistent with their ethical standards and strategies. It is in the interest of investors to evaluate all of their investment risks. Transparent organisational structures, where each subsidiary, affiliate or joint-venture is identified, accompanied by country-by-country reporting, are necessary to understand the company and identify significant risks – economic, political and reputational. Lack of transparency on this front is a serious risk factor, which in itself should be carefully considered by investors.

- **Risk rating agencies as well as corporate responsibility indices should include transparency measures as an integral part of their evaluation process.**

Transparency International encourages risk rating agencies, risk and corporate responsibility analysts and all institutions that publish indices of corporate responsibility to include transparency and anti-corruption compliance in their evaluation models.

Anti-corruption programmes and transparency-enhancing measures lower the risk and incidence of corruption. Therefore, ratings that fail to account for good standards in reporting on anti-corruption programmes, transparency in organisational structures and country-by-country operations are at best incomplete and at worst unreliable.

- **Accounting standards relating to financial accounting as well as to corporate social responsibility reporting should include corruption-relevant disclosures.**

International accounting standards requiring organisational transparency and country-by-country disclosure should be established. Such standards would benefit companies, investors, civil society and governments. They would introduce transparency to companies' international operations and thereby expose the many related risks. The new standards would provide much needed information to civil society and governments, enabling them to follow financial in- and outflows to and from their countries, allowing for better detection of budgetary problems and illicit money flows. Another benefit of this change would be to level the playing field by eliminating any competitive advantage derived from country-level secrecy.

## TO CIVIL SOCIETY ORGANISATIONS:

- **Civil society organisations should get involved in the monitoring of multinational businesses located or operating in their countries to promote greater transparency.**

Transparency International strongly encourages civil society organisations in all countries to monitor transparency in multinational business. The majority of the biggest multinational companies are incorporated in developed countries,<sup>2</sup> and should be bound to follow their home country laws and regulations wherever they operate. Civil society should encourage multinationals to apply the ethical standards expected in their home societies to a global context (i.e., we expect companies not to engage in the employment of children or to bribe foreign officials even where such practices may regrettably be legal), and to report on practices both in their home jurisdiction, as well as others, with equal detail and attention to the three dimensions identified in this report: anti-corruption programmes, organisational transparency and country-by-country reporting.

- **Civil society organisations should focus advocacy efforts on multinational businesses located or operating in their countries to improve the depth and scope of their commitments to transparency, and in particular, to improve their level of anti-corruption reporting.**

Transparency International encourages civil society organisations to focus advocacy efforts on achieving greater transparency in multinational business. Such advocacy should target governments, regulators and companies in both developed and developing countries with the objective of countering corruption and illicit money flows. Such advocacy should address all three dimensions of corporate transparency: reporting on anti-corruption programmes, organisational transparency and country-by-country reporting.

# ANNEXES

## ANNEX 1: METHODOLOGY

This report is designed and carried out to encourage and increase the level of transparency in international business. It analyses reporting practices of the 105 largest publicly listed, multinational companies from diverse industries and countries.<sup>21</sup> The methodology is based on two previous Transparency International projects: *Transparency in Reporting on Anti-Corruption and Promoting Revenue Transparency*. It is complemented by consultations with evaluated companies,<sup>22</sup> civil society and Transparency International's network of chapters.

The table below compares the various corporate reporting studies undertaken by Transparency International.

**Table 1**  
Comparison of Transparency International Studies on Transparency in Corporate Reporting

EVALUATED AREAS	TRANSPARENCY IN CORPORATE REPORTING (2012)	TRANSPARENCY IN REPORTING ON ANTI-CORRUPTION (2009)	PROMOTING REVENUE TRANSPARENCY (2011)	PROMOTING REVENUE TRANSPARENCY (2008)
Reporting on anti-corruption programmes	✓	✓	✓	✓ <sup>23</sup>
Organisational transparency	✓		✓	
Country-by-country reporting	✓		✓	
<b>INDUSTRIES</b>	Various	Various	Oil and gas	Oil and gas
<b>NUMBER OF COMPANIES</b>	105	500	44	42
<b>COMPANY TYPE</b>	Listed	Listed	Listed and non-listed	Listed and non-listed

Any comparison between the results of this report with Transparency International's earlier (2009) report must be limited to the analysis of reporting on anti-corruption programmes and to 97 out of 105 selected companies that the two reports had in common.

## BOX 7: ANTI-CORRUPTION REPORTING TRENDS

- The research relating to reporting on anti-corruption programmes is similar in both the 2012 and 2009 reports. Ninety-seven companies analysed in the earlier report were also the subject of this report, which surveyed 105 companies. It is therefore possible to identify trends and progress in this dimension with respect to those 97 companies.
- The average result for reporting on anti-corruption programmes shows a positive trend: 69 per cent up from 47 per cent in the earlier report.
- The greatest progress has been achieved between the two reports as follows:

	2009	2012
Whistleblowing	72%	82%
Non-retaliation policies	66%	80%
Training employees on anti-corruption	37%	77%
Policy on gifts	69%	79%
Application of the policy to all employees	74%	89%
Extension of policies to business partners	39%	59%



## RATIONALE

In conducting research for this report, and in keeping with other similar assessments, Transparency International consulted with stakeholders at various points in the research process. The final methodology benefitted from valuable contributions from companies, Transparency International chapters and numerous experts. Quality was further enhanced by feedback on results received from about half of the evaluated companies.

## COMPANY SELECTION

The selection of companies was based on the 2010 ranking of the *World's Biggest Public Companies* published by Forbes Magazine (*The Forbes Global 2000, December 2010*). The 105 largest multinational companies by market value were chosen (all market values were calculated by Forbes as at 1 March 2010). Single-country operators (nine companies) were eliminated from the sample because they could not be assessed for country-by-country disclosure. Thus, the sample draws from the world's 114 largest companies. The companies that were eliminated from the sample because they only operate domestically were: China Mobile, Wells Fargo, Sinopec, China Life Insurance, China Shenhua Energy, Rosneft, Sberbank, Ecopetrol and Ping An Insurance Group. The final list of companies and the structure of the sample are presented in Annex 3.

The subject companies were not selected with a view towards reaching geographic or industry-wide conclusions. To analyse company performance by industry, the Industry Classification Benchmark<sup>24</sup> was used and consumer goods and consumer services were combined into one industry.<sup>25</sup>

## CONSULTATION

All companies were contacted in April 2011. They were informed of planned research and report and were invited to comment on the proposed methodology. Fifteen companies responded to this request.<sup>26</sup> All companies were provided copies of the final methodology document in June 2011 prior to undertaking the research.

## DATA COLLECTION AND VERIFICATION

All data were collected by desk research conducted between June and August 2011. The sources included company websites and the relevant links and documents directly accessible through them. Data for each question were recorded and the exact sources documented (e.g. corporate documents with page numbers or websites with dates of when the data were downloaded). The research was based on the latest available documentation. The reporting periods covered in these documents may differ among the selected companies.

Selected data was verified by a team of Transparency International researchers and an inter-coder reliability test was also performed.

Transparency International has not undertaken to verify whether information disclosed on websites or in reports is complete or correct. In other words, if a company publishes what it refers to as 'a full list of its fully consolidated material subsidiaries', this has been accepted at face value and scored accordingly. In addition, it is beyond the scope of this research to judge levels of integrity in company practices. Rather, the report focuses on reporting on transparency and anti-corruption in corporate policies and procedures, which Transparency International believes are crucial elements to ensuring good corporate governance and mitigating the risk of corruption.

## DATA SHARING AND REVIEWING

On 19 August 2011 preliminary data sets were shared with the target companies, and each company was given the opportunity to review its own data and to provide feedback or propose corrections. Feedback was accepted until 15 October 2011. Each data set consisted of four elements:

1. Scores and data sources for questions 1–13 on anti-corruption programmes
2. Scores and data sources for questions 14–21 on organisational transparency
3. List of countries of operations
4. Country-by-country data.

The companies were asked to review the collected data in order to verify their completeness and accuracy. Of the 105 companies, 52 responded with feedback. All requests for corrections were carefully analysed and discussed within the Transparency International team. Whenever necessary, further information, substantiation or documentation was requested and obtained from companies. This process resulted in a number of data point adjustments and in updates of some data sources. For adjustments/ updates resulting from the publication of new sources or updated documents, all sources that were published on corporate websites on or before 15 October 2011 were taken into account.

Corrections were most often the result of one or more of the following reasons:

- The publication of new corporate documents or policies after the period of preliminary data collection
- Ongoing changes or updates of certain policies (online or in previously published documents)
- Identification of documents or sources that had been missed, and therefore omitted, by the initial review
- Clarification of specific terminology, especially in the section on subsidiaries.

The following companies provided feedback during the data review process: 3M, Abbott Laboratories, ArcelorMittal, Allianz, Amgen, ANZ Banking, ArcelorMittal, AstraZeneca, AT&T, Banco Bradesco, Bank of America, BASF, Bayer Group, BG Group, BHP Billiton, BNP Paribas, British American Tobacco, Citigroup, ConocoPhillips, Deutsche Telekom, E.ON, ENI, ExxonMobil, France Telecom, GDF Suez, General Electric, Google, Home Depot, HSBC Holdings, Johnson & Johnson, Merck & Co, Mitsubishi UFJ Financial, Nestlé, Occidental Petroleum, PepsiCo, Pfizer, Philip Morris International, Qualcomm, Rio Tinto, Royal Bank of Canada, Royal Dutch Shell, Sanofi-Aventis, SAP, Schlumberger, Siemens, Toronto-Dominion Bank, Total, Unilever, United Parcel Service, Visa, Vodafone, Wal-Mart Stores, and Westpac Banking Group.

Transparency International greatly appreciates company engagement in this process as it contributed to the high quality of the methodology and data. As a result of this dialogue, a better overview and understanding of diverse reporting practices and standards was gained.

## QUESTIONNAIRE STRUCTURE AND SCORING<sup>27</sup>

The questionnaire covers a broad spectrum of issues influencing corporate transparency. It was constructed in a similar manner to the questionnaire used for the most recent report *Promoting Revenue Transparency* in 2011, but has been adjusted to accommodate the cross-industry elements of this study. It focuses on three dimensions:

1. Reporting on anti-corruption programmes
2. Organisational transparency
3. Country-by-country reporting.

The first dimension is derived from the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption. It includes 13 questions; each of them is scored between 0 and 1. The maximum score for this dimension is 13 points. The final score for this dimension for each company is expressed as percentage of the maximum possible score (between 0 and 100 per cent).

The second dimension evaluates the level of disclosure of material fully and non-fully consolidated entities and contains eight questions. For all such entities reporting on names, percentages owned by the parent company, countries of incorporation and countries of operations were reviewed. Each question was awarded between 0 and 1 point.

The maximum score in organisational transparency is six points (the sum of scores for questions 14–16 and 18–20), although there are eight questions in this dimension (questions 17 and 21 being omitted from the final score, see below). Companies that do not have any non-fully consolidated entities were evaluated on their disclosure of fully consolidated entities only (max. 3 points).

During the data sharing and review process, some companies challenged the relevance of distinguishing between reporting on countries of *operations* and countries of *incorporation*. Many companies that reviewed their data stated that ‘countries of incorporation’ and ‘countries of operations’ are always the same, hence no need for separate disclosure. As a result of this feedback, questions 17 and 21 have been excluded from the scoring. Scores for questions 17 and 21 nevertheless remain in Transparency International’s database.

The third dimension, country-by-country reporting, includes five questions, four of them on basic elements of financial accounts and the final one on community/charitable contributions. The maximum score per country is 5. The full set of five questions applied to each country of operations.

Once all countries are scored for country-by-country reporting, a total score per country is calculated by adding up the scores received on each of the five questions. The individual country scores are aggregated and then divided by the number of countries to arrive at the average score per country. The final result in country-by-country reporting is then expressed as a percentage of the maximum possible score (5 points per country).

For example, a company operates in 10 countries and discloses its revenues for six of them. It achieves one point for each of the six countries on question number 22 which is the question that relates to revenue reporting. The company does not disclose any other relevant country-level information so it receives scores of 0 on questions 23, 24, 25 and 26. In total, the company’s score is 6. The best possible score for this company is 50 (five questions per country times 10 countries). The actual score of 6 is 12 per cent of the best possible score of 50. Thus, the result for this company in country by country reporting is 12 per cent.

# ANNEX 2: QUESTIONNAIRE

## I. DISCLOSED ANTI-CORRUPTION PROGRAMMES

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 demonstrate support for anti-corruption? E.g. is there a statement in a corporate citizenship report or in public pronouncements on integrity?
4. Does the company's code of conduct/ anti-corruption policy explicitly apply to all employees?
5. Does the company's code of conduct/ anti-corruption policy explicitly apply to all agents and other intermediaries?
6. Does the company's code of conduct/ anti-corruption policy explicitly apply to contractors, subcontractors and suppliers?
7. Does the company have an anti-corruption training programme for its employees in place?
8. Does the company have a policy defining appropriate/ inappropriate gifts, hospitality and travel expenses?
9. Is there a policy that explicitly forbids facilitation payments?
10. Does the company prohibit retaliation for reporting the violation of a policy?
11. Does the company provide channels through which employees can report potential violations of policy or seek advice (e.g. whistleblowing) in confidence?
12. Does the company carry out regular monitoring of its anti-corruption programme?
13. Does the company have a policy prohibiting political contributions or if it does make such contributions, are they fully disclosed?

## II. ORGANISATIONAL TRANSPARENCY (DISCLOSURE OF SUBSIDIARIES)

14. Does the company disclose the full list of its fully consolidated material subsidiaries?
15. Does the company disclose percentages owned in its fully consolidated material subsidiaries?
16. Does the company disclose countries of incorporation of its fully consolidated material subsidiaries?
17. Does the company disclose countries of operations of its fully consolidated material subsidiaries?
18. Does the company disclose the full list of its non-fully consolidated material subsidiaries?<sup>28</sup>
19. Does the company disclose percentages owned in its non-fully consolidated material subsidiaries?
20. Does the company disclose countries of incorporation of its non-fully consolidated material subsidiaries?
21. Does the company disclose countries of operations of its non-fully consolidated material subsidiaries?

## III. COUNTRY-BY-COUNTRY DISCLOSURE

In our study 'countries of operations' are those countries in which a company is present either directly or through one of its consolidated subsidiaries. The relevant list of countries of operations is based on the company's own reporting.

For each country of the company's operations the following set of questions has been asked:

22. Does the company disclose its revenues/ sales in country X?
23. Does the company disclose its capital expenditure in country X?
24. Does the company disclose its pre-tax income in country X?
25. Does the company disclose its income tax in country X?
26. Does the company disclose its community contribution in country X?

## ANNEX 3: LIST OF COMPANIES

(In descending order by Market Value – *Forbes 2010*)

COMPANY (ABBREVIATION)	COUNTRY	INDUSTRY	MARKET VALUE (US\$BILLION)
PetroChina	China	Oil & Gas	333.84
ExxonMobil	United States	Oil & Gas	308.77
Microsoft	United States	Technology	254.52
Industrial and Commercial Bank of China (ICBC)	China	Financials	242.23
Wal-Mart Stores	United States	Consumer Goods & Services	205.37
BHP Billiton	Australia/United Kingdom	Basic Materials	192.45
Berkshire Hathaway (Berkshire)	United States	Financials	190.86
Petrobras-Petróleo Brasil	Brazil	Oil & Gas	190.34
Apple	United States	Technology	189.51
Procter & Gamble (P&G)	United States	Consumer Goods & Services	184.47
China Construction Bank (CCB)	China	Financials	184.32
HSBC Holdings (HSBC)	United Kingdom	Financials	178.27
Johnson & Johnson (J&J)	United States	Healthcare	174.9
Nestlé	Switzerland	Consumer Goods & Services	173.67
General Electric (GE)	United States	Industrials	169.65
Google	United States	Technology	169.38
Royal Dutch Shell (Shell)	Netherlands	Oil & Gas	168.63
Bank of America (B America)	United States	Financials	167.63
BP	United Kingdom	Oil & Gas	167.13
IBM	United States	Technology	167.01
JPMorgan Chase	United States	Financials	166.19
AT&T	United States	Telecommunication	147.55
Bank of China (B China)	China	Financials	147
Chevron	United States	Oil & Gas	146.23
Roche Holding	Switzerland	Healthcare	146.19
Vale	Brazil	Basic Materials	145.14
Pfizer	United States	Healthcare	143.23
Cisco Systems	United States	Technology	140.85
Gazprom	Russia	Oil & Gas	132.58
Total	France	Oil & Gas	131.8
Toyota Motor	Japan	Consumer Goods & Services	127.1
Novartis	Switzerland	Healthcare	126.22
Oracle	United States	Technology	123.98
Coca-Cola	United States	Consumer Goods & Services	122.79
Hewlett-Packard (HP)	United States	Technology	121.33

COMPANY (ABBREVIATION)	COUNTRY	INDUSTRY	MARKET VALUE (US\$BILLION)
Rio Tinto	United Kingdom/Australia	Basic Materials	118.34
Merck & Co	United States	Healthcare	116.11
Intel	United States	Technology	115.29
Vodafone	United Kingdom	Telecommunication	112.26
Telefónica	Spain	Telecommunication	108.19
Banco Santander	Spain	Financials	107.12
PepsiCo	United States	Consumer Goods & Services	99.58
Sanofi-Aventis	France	Healthcare	98.07
Citigroup	United States	Financials	96.54
GlaxoSmithKline (GlaxoSK)	United Kingdom	Healthcare	95.36
Samsung Electronics	South Korea	Technology	94.48
EDF Group	France	Utilities	92.23
Philip Morris International (PMI)	United States	Consumer Goods & Services	92.04
Unilever	Netherlands/United Kingdom	Consumer Goods & Services	91.33
BNP Paribas (BNP)	France	Financials	86.67
Goldman Sachs Group (Goldman)	United States	Financials	84.95
Abbott Laboratories (Abbott)	United States	Healthcare	84.29
GDF Suez	France	Utilities	83.36
ENI	Italy	Oil & Gas	82.22
Verizon Communications	United States	Telecommunication	82.21
Anheuser-Busch InBev (Anheuser)	Belgium	Consumer Goods & Services	81.48
Siemens	Germany	Industrials	80.07
Royal Bank of Canada (RBC)	Canada	Financials	78.17
Commonwealth Bank (Commonwealth B)	Australia	Financials	75.1
Schlumberger	Netherlands	Oil & Gas	73.49
Visa	United States	Financials	73.12
ConocoPhillips (Conoco)	United States	Oil & Gas	72.72
Statoil	Norway	Oil & Gas	72.26
Mitsubishi UFJ Financial (MUFJ)	Japan	Financials	72.17
América Móvil	Mexico	Telecommunication	72.09
Saudi Basic Industries	Saudi Arabia	Basic Materials	71.2
Westpac Banking Group	Australia	Financials	70.99
China National Offshore Oil Corporation (CNOOC)	Hong Kong/China	Oil & Gas	70.65
Reliance Industries	India	Oil & Gas	69.36
McDonald's	United States	Consumer Goods & Services	69.05
Nippon Telegraph & Telephone Corporation	Japan	Telecommunication	68.68
British American Tobacco (BAT)	United Kingdom	Consumer Goods & Services	68.27

COMPANY (ABBREVIATION)	COUNTRY	INDUSTRY	MARKET VALUE (US\$BILLION)
E.ON	Germany	Utilities	68.26
Occidental Petroleum	United States	Oil & Gas	65.57
United Technologies Corporation (UTC)	United States	Industrials	65.28
AstraZeneca	United Kingdom	Healthcare	63.56
Honda Motor	Japan	Consumer Goods & Services	63.22
L'Oréal Group	France	Consumer Goods & Services	63.05
France Telecom (FT)	France	Telecommunication	62.39
Walt Disney	United States	Consumer Goods & Services	61.17
Qualcomm	United States	Technology	59.76
ArcelorMittal	Luxembourg	Basic Materials	59.75
United Parcel Service (UPS)	United States	Industrials	58.43
BG Group	United Kingdom	Oil & Gas	58.16
3M	United States	Industrials	57.35
Bank of Communications (B Communications)	China	Financials	57.34
Bayer Group	Germany	Basic Materials	56.3
Deutsche Telekom (DT)	Germany	Telecommunication	56.25
Teva Pharmaceutical Industries (Teva)	Israel	Healthcare	56.19
Barclays	United Kingdom	Financials	56.15
Canon	Japan	Industrials	55.8
Amgen	United States	Healthcare	55.72
Toronto-Dominion Bank (TD Bank)	Canada	Financials	55.43
Amazon.com (Amazon)	United States	Consumer Goods & Services	55.36
SAP	Germany	Technology	55.27
Banco Bradesco	Brazil	Financials	54.5
Credit Suisse Group	Switzerland	Financials	53.93
ANZ Banking	Australia	Financials	53.72
Home Depot	United States	Consumer Goods & Services	53.44
Allianz	Germany	Financials	52.74
BASF	Germany	Basic Materials	52.12
Oil & Natural Gas Corporation (ONGC)	India	Oil & Gas	51.82
Tesco	United Kingdom	Consumer Goods & Services	51.43
ENEL	Italy	Utilities	50.92
Lloyds Banking Group	United Kingdom	Financials	50.25

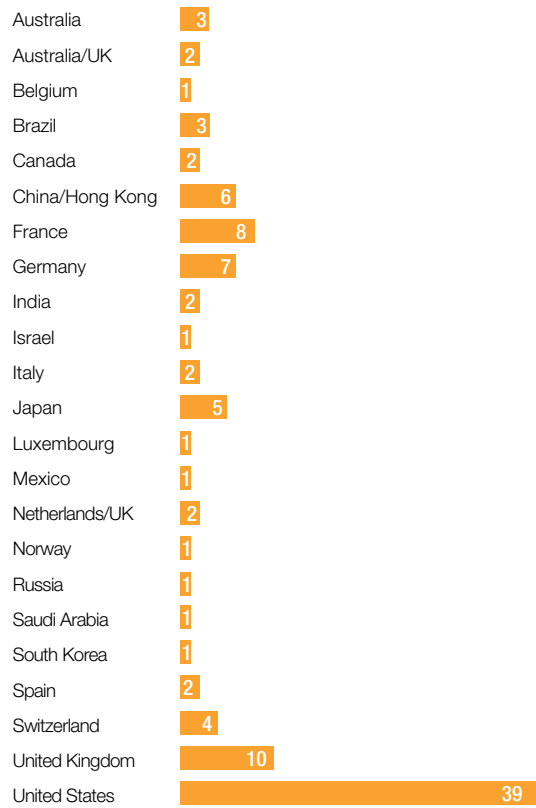


**Diagram 13**  
Structure of the Sample

**INDUSTRY STRUCTURE**



**STRUCTURE BY COUNTRY**



## ANNEX 4: DATA TABLES

For full data tables, including scores and sources for each data point, please consult the following link: [www.transparency.org/corporate\\_reporting](http://www.transparency.org/corporate_reporting). Below is each company's score in each dimension. The list is sorted alphabetically. An "M" indicates that the company provided feedback on the methodology and a "D", on the data.

COMPANY	COUNTRY	INDUSTRY	INDEX	REPORTING ON ANTI-CORRUPTION PROGRAMMES	ORGANISATIONAL TRANSPARENCY	COUNTRY-BY-COUNTRY REPORTING	FEEDBACK	
3M	United States	Industrials	4.5	85%	50%	0.40%		D
Abbott Laboratories	United States	Healthcare	4.7	88%	50%	2.10%		D
Allianz	Germany	Financials	6.6	88%	100%	8.50%	M	D
Amazon.com	United States	Consumer goods & services	2.8	27%	50%	6.00%		
América Móvil	Mexico	Telecommunication	4.4	31%	100%	0.00%		
Amgen	United States	Healthcare	5	85%	67%	0.00%		D
Anheuser-Busch InBev	Belgium	Consumer goods & services	2.9	62%	25%	0.00%		
ANZ Banking	Australia	Financials	6.3	88%	100%	0.80%	M	D
Apple	United States	Technology	3.2	62%	33%	0.00%		
ArcelorMittal	Luxembourg	Basic materials	6.9	85%	100%	21.30%		D
AstraZeneca	United Kingdom	Healthcare	5	96%	50%	3.30%		D
AT&T	United States	Telecommunication	4.7	73%	67%	0.40%		D
Banco Bradesco	Brazil	Financials	4.8	77%	67%	0.00%		D
Banco Santander	Spain	Financials	5.4	46%	100%	17.30%		
Bank of America	United States	Financials	3.2	62%	33%	0.00%		D
Bank of China	China	Financials	1.1	0%	33%	0.00%		
Bank of Communications	China	Financials	1.7	0%	50%	0.00%		
Barclays	United Kingdom	Financials	4	69%	50%	0.80%		
BASF	Germany	Basic materials	6.7	100%	100%	0.00%	M	D
Bayer Group	Germany	Basic materials	6.1	81%	100%	2.00%		D
Berkshire Hathaway	United States	Financials	2.4	38%	33%	0.00%		
BG Group	United Kingdom	Oil & Gas	6.7	100%	100%	2.40%	M	D
BHP Billiton	Australia/ United Kingdom	Basic materials	7.2	92%	100%	23.60%		D
BNP Paribas	France	Financials	5.4	62%	100%	0.00%		D
BP	United Kingdom	Oil & Gas	6.6	92%	100%	5.60%		
British American Tobacco	United Kingdom	Consumer goods & services	6.1	81%	100%	2.30%		D
Canon	Japan	Industrials	3	23%	67%	0.20%		
Chevron	United States	Oil & Gas	5.2	69%	83%	4.20%	M	
China Construction Bank	China	Financials	1.9	8%	50%	0.00%		
Cisco Systems	United States	Technology	3.4	69%	33%	0.60%		
Citigroup	United States	Financials	3.8	81%	33%	0.00%		D
China National Offshore Oil Corporation (CNOOC)	Hong Kong/ China	Oil & Gas	3.9	15%	100%	1.30%		
Coca-Cola	United States	Consumer goods & services	5.3	77%	83%	0.00%		
Commonwealth Bank	Australia	Financials	3.1	38%	50%	5.50%		

COMPANY	COUNTRY	INDUSTRY	INDEX	REPORTING ON ANTI-CORRUPTION PROGRAMMES	ORGANISATIONAL TRANSPARENCY	COUNTRY-BY-COUNTRY REPORTING	FEEDBACK	
ConocoPhillips	United States	Oil & Gas	3.7	73%	33%	3.20%	M	D
Credit Suisse Group	Switzerland	Financials	5.1	54%	100%	0.00%		
Deutsche Telekom	Germany	Telecommunication	6	73%	100%	6.30%		D
E.ON	Germany	Utilities	6	77%	100%	1.70%		D
EDF Group	France	Utilities	4.4	31%	100%	1.70%		
ENEL	Italy	Utilities	6.2	85%	100%	0.80%		
ENI	Italy	Oil & Gas	5.9	92%	83%	1.30%		D
ExxonMobil	United States	Oil & Gas	6.4	88%	100%	4.30%		D
France Telecom	France	Telecommunication	6.6	81%	100%	17.20%		D
Gazprom, OAO	Russia	Oil & Gas	2.8	0%	83%	0.00%		
GDF Suez	France	Utilities	6.2	85%	100%	0.60%		D
General Electric	United States	Industrials	6	81%	100%	0.30%		D
GlaxoSmithKline	United Kingdom	Healthcare	6.2	85%	100%	2.40%		
Goldman Sachs Group	United States	Financials	3.3	50%	50%	0.00%		
Google	United States	Technology	2.9	54%	33%	0.00%		D
Hewlett-Packard	United States	Technology	4.8	77%	67%	0.00%		
Home Depot	United States	Consumer goods & services	6	81%	100%	0.00%		D
Honda Motor	Japan	Consumer goods & services	1.9	8%	50%	0.00%		
HSBC Holdings	United Kingdom	Financials	6.7	92%	100%	8.00%		D
IBM	United States	Technology	4.2	77%	50%	0.40%		
Industrial and Commercial Bank of China	China	Financials	3.9	15%	100%	1.10%		
Intel	United States	Technology	4.7	88%	50%	2.20%		
Johnson & Johnson	United States	Healthcare	4.4	81%	50%	0.00%		D
JPMorgan Chase	United States	Financials	3.8	81%	33%	0.00%		
Lloyds Banking Group	United Kingdom	Financials	4.6	38%	100%	0.00%		
L'Oréal Group	France	Consumer goods & services	6	81%	100%	0.00%	M	
McDonald's	United States	Consumer goods & services	3.7	77%	33%	0.00%		
Merck & Co	United States	Healthcare	4.9	81%	67%	0.30%	M	D
Microsoft	United States	Technology	3.4	69%	33%	0.00%	M	
Mitsubishi UFJ Financial	Japan	Financials	3.2	46%	50%	1.30%		D
Nestlé	Switzerland	Consumer goods & services	5.9	73%	100%	3.60%		D
Nippon Telegraph & Telephone Corporation	Japan	Telecommunication	2.6	27%	50%	0.00%		
Novartis	Switzerland	Healthcare	6.5	92%	100%	1.80%		
Occidental Petroleum	United States	Oil & Gas	5.2	85%	67%	5.60%		D
Oil & Natural Gas Corporation	India	Oil & Gas	5.4	46%	100%	15.90%		
Oracle	United States	Technology	4.1	88%	33%	1.70%		
PepsiCo	United States	Consumer goods & services	3.5	73%	33%	0.00%		D
Petrobras-Petróleo Brasil	Brazil	Oil & Gas	4.7	92%	50%	0.00%		
PetroChina	China	Oil & Gas	4.1	38%	83%	0.00%		
Pfizer	United States	Healthcare	3.7	77%	33%	0.00%		D

COMPANY	COUNTRY	INDUSTRY	INDEX	REPORTING ON ANTI-CORRUPTION PROGRAMMES	ORGANISATIONAL TRANSPARENCY	COUNTRY-BY-COUNTRY REPORTING	FEEDBACK	
Philip Morris International	United States	Consumer goods & services	3.9	85%	33%	0.00%	M	D
Procter & Gamble	United States	Consumer goods & services	4.2	92%	33%	0.00%		
Qualcomm	United States	Technology	4.4	62%	67%	4.20%		D
Reliance Industries	India	Oil & Gas	4.7	23%	100%	18.30%		
Rio Tinto	United Kingdom/ Australia	Basic materials	7.2	92%	100%	23.70%		D
Roche Holding	Switzerland	Healthcare	5.9	77%	100%	0.90%		
Royal Bank of Canada	Canada	Financials	4.4	81%	50%	1.20%		D
Royal Dutch Shell	Netherlands/ UK	Oil & Gas	6.2	85%	100%	2.10%		D
Samsung Electronics	South Korea	Technology	4.3	46%	83%	0.50%		
Sanofi-Aventis	France	Healthcare	5.9	77%	100%	0.40%	M	D
SAP	Germany	Technology	5.8	65%	100%	8.80%		D
Saudi Basic Industries	Saudi Arabia	Basic materials	4	69%	50%	0.00%		
Schlumberger	France/ incorporated in Curacao	Oil & Gas	4	69%	50%	0.70%		D
Siemens	Germany	Industrials	6.3	88%	100%	0.60%		D
Statoil	Norway	Oil & Gas	8.3	100%	100%	50.00%		
Telefónica	Spain	Telecommunication	6.2	69%	100%	15.50%		
Tesco	United Kingdom	Consumer goods & services	6.5	69%	100%	26.20%		
Teva Pharmaceutical Industries	Israel	Healthcare	3.3	50%	50%	0.00%		
Toronto-Dominion Bank	Canada	Financials	5.7	62%	100%	8.30%		D
Total	France	Oil & Gas	5.1	92%	58%	1.70%	M	D
Toyota Motor	Japan	Consumer goods & services	2.8	46%	33%	4.30%		
Unilever	Netherlands/ UK	Consumer goods & services	5.7	69%	100%	0.40%		D
United Parcel Service	United States	Industrials	4.1	88%	33%	0.00%	M	D
United Technologies Corporation	United States	Industrials	5	85%	67%	0.00%	M	
Vale	Brazil	Basic materials	4.7	54%	83%	4.90%		
Verizon Communications	United States	Telecommunication	3.3	65%	33%	0.00%		
Visa	United States	Financials	3.5	73%	33%	0.00%		D
Vodafone	United Kingdom	Telecommunication	6.4	85%	100%	7.50%		D
Wal-Mart Stores	United States	Consumer goods & services	6.4	77%	100%	14.00%		D
Walt Disney	United States	Consumer goods & services	3.4	69%	33%	0.00%		
Westpac Banking Group	Australia	Financials	6	96%	83%	1.70%		D

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## END NOTES

<sup>1</sup> The study assesses the largest publicly listed multinational companies (operating and having subsidiaries in more than one country) as measured by market value. The selection was based on data from the Forbes list of the World's Biggest Public Companies published in 2010. The analysis is based on information publicly available on company websites and feedback provided by companies on the methodology and the research findings.

<sup>2</sup> See: [www.transparency.org](http://www.transparency.org)

<sup>3</sup> Although Transparency in Reporting on Anti-Corruption covered public reporting on anti-corruption programmes, it did not consider organisational transparency or country-by-country reporting. This report also differs from that publication as it explicitly names the subject companies.

<sup>4</sup> See Box 2 for further discussion on this issue.

<sup>5</sup> Forbes list of the World's Biggest Public Companies published in 2010, by market value, was used as the basis for selection. As the study is designed for multinational companies only, companies that do not operate in multiple jurisdictions were eliminated – For details see Annex 1.

<sup>6</sup> The detailed questionnaire can be found in Annex 2. Note that the companies under review were consulted on the methodology as well.

<sup>7</sup> See: [www.unglobalcompact.org/docs/issues\\_doc/Anti-Corruption/UNGC\\_AntiCorruptionReporting.pdf](http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf)

<sup>8</sup> See: [www.transparency.org](http://www.transparency.org)

<sup>9</sup> The consultation, correction and adjustment process is described in detail in the Annex 1.

<sup>10</sup> Please refer to the code book, see: [insert website link].

<sup>11</sup> See: [www.unglobalcompact.org/docs/issues\\_doc/Anti-Corruption/UNGC\\_AntiCorruptionReporting.pdf](http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf)

<sup>12</sup> See: [www.transparency.org](http://www.transparency.org)

<sup>13</sup> See: [www.pwc.com/gx/en/forensic-accounting-dispute-consulting-services/business-case-anti-corruption-programme.jhtml](http://www.pwc.com/gx/en/forensic-accounting-dispute-consulting-services/business-case-anti-corruption-programme.jhtml)

<sup>14</sup> See: Diagram 3

<sup>15</sup> Oil and gas companies were analysed in detail in Transparency International's report Promoting Revenue Transparency in Oil and Gas Companies, published in 2011. See: [www.transparency.org](http://www.transparency.org)

<sup>16</sup> In the questionnaire non-fully consolidated holdings are referred to as 'non-fully consolidated subsidiaries'.

<sup>17</sup> Country of operations was also collected but not included in the scoring. Details are available in Annex 1 on methodology.

<sup>18</sup> Tomás Selemane, Dionísio Nombora, 'EITI Implementation, natural resources management and urgency of renegotiating and publishing the contracts with mega-projects: The case of Mozambique', Centro de Integridade Pública, Maputo, June 2011, See: [www.afriqueavenir.org/en/2011/03/11/mozambique-drawing-up-revised-budget-for-2011](http://www.afriqueavenir.org/en/2011/03/11/mozambique-drawing-up-revised-budget-for-2011)

<sup>19</sup> Among these companies, Apple and Google disclose some data points, but they do not disclose the number of countries in which they operate and for that reason their scores cannot be precisely calculated.

<sup>20</sup> Among the Forbes 2000 largest companies 70 per cent are incorporated in Australia, Canada, the European Union, Japan, Norway, Switzerland and the United States (2010 ranking of 2000 global leading companies).

<sup>21</sup> Five companies were added to the initial top-100 to ensure that the final rankings included at least 100 companies, regardless of any market changes (i.e., mergers or acquisitions) or other obstacles to data collection. In the end, all 105 companies were fully assessed.

<sup>22</sup> All companies from the sample were asked for comments and contributions to the methodology. Fifteen companies took the opportunity and provided valuable input on the methodology.

<sup>23</sup> This report evaluated disclosure of payments to host governments, operations and corporate anti-corruption programmes.

<sup>24</sup> Industry Classification Benchmark is an industry classification standard developed by Dow Jones and FTSE. See: [www.icbenchmark.com](http://www.icbenchmark.com).

<sup>25</sup> These two industries were merged for ease of analysis.

<sup>26</sup> The companies that provided feedback on the methodology were Allianz, ANZ Banking, Banco Bradesco, BASF, BG Group, Chevron, ConocoPhillips, L'Oreal Group, Merck & Co., Microsoft, Philip Morris International, Sanofi-Aventis, Total, United Technologies Corporation and United Parcel Service.

<sup>27</sup> For a detailed questionnaire, see Annex 2.

<sup>28</sup> The expression 'non-fully consolidated subsidiaries' in questions 18 – 21 includes all non-fully consolidated holdings such as affiliates and joint-ventures.



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