

## **Transparency International report shows telecom companies can do much more to prevent corruption**

***Report shows weak disclosure on corporate holdings and country-by-country reporting, disclosure of programmes to prevent corruption scores better***

**Budapest, 24 November, 2015** – The world’s biggest telecommunications companies do not disclose enough information on how they organize themselves and even less on each country where they do business which makes it difficult to hold them to account for their actions, according to a new report from Transparency International and its national chapter in Hungary.

In the first-ever assessment of the major telecoms companies’ transparency in corporate reporting, 27 out of the 35 largest firms measured do not disclose where their subsidiaries operate and only four companies reveal information on their tax payments in each of the countries in which they are active.

Overall the telecoms companies perform reasonably well in terms of how much information they disclose about their anti-corruption programmes but a significant number of corporate holdings are unreported, resulting in opaque corporate structures.

“Mobile phones, the Internet and widespread access to cellular networks have proven vital to economic growth, the spread of democracy and even reducing inequality. Telecommunications companies have an important obligation to do everything possible to keep their businesses as clean as possible and stop corruption in their companies,” said Transparency International Business Advisory Board Chair Jermyn Brooks.

*Transparency in Corporate Reporting: Assessing the World’s Largest Telecommunications Companies* analyses the 35 largest telecoms companies (service providers and equipment manufacturers) and ranked them based on their reporting of the measures they take to prevent corruption, information about subsidiaries and holdings, and key financial information including payments abroad.

According to these criteria European companies are the best performers, Asian companies the worst. Three companies (Deutsche Telekom, Vodafone and Telenor) scored over 50 per cent in all three dimensions.

Developments such as liberalization of rules and regulations has increased exposure to corruption, along with the temptation of big profits and the opportunities for corruption that came with large licensing fees, major equipment contracts, the sale of state operators and an increase in mergers and acquisitions.

Some leading telecommunications companies, such as Telenor, Alcatel-Lucent, TeliaSonera and China Mobile, have been subject to extensive corruption investigations in recent years.

“To ensure compliance with laws and to manage the broader risks of corruption and poor performance against ethical standards, telecommunications companies must adopt strong and clear policies and management systems to curb bribery and corruption.” said József Péter Martin, Executive Director of Transparency International Hungary.

While there are anti-corruption programmes in place at most of the assessed companies, only 15 out of the 35 companies have a mechanism for regular monitoring of this programme. An anti-corruption programme can only be applied effectively in practice if it is adequately and regularly checked.

At management level, senior members of the management or board in the majority of the companies (83 per cent) demonstrate support for anti-corruption measures. However, only half of the assessed companies make it clear that the anti-corruption policy or the code of ethics applies to their directors as well.

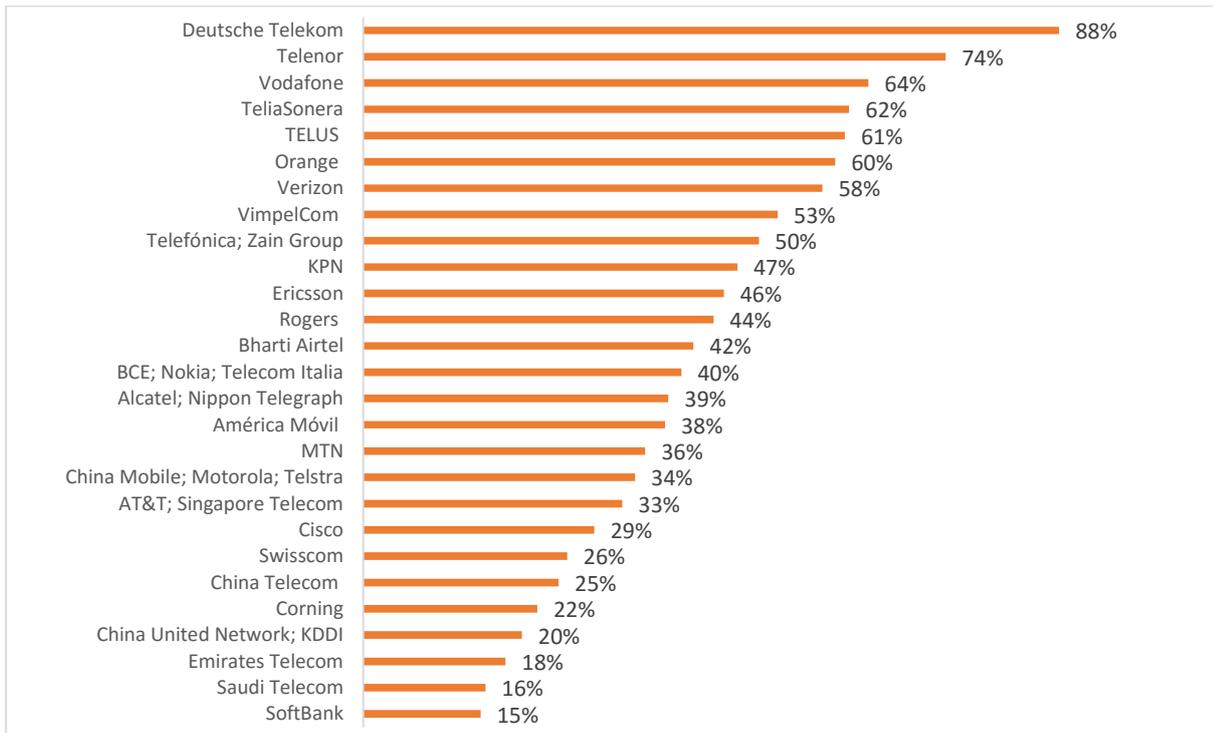
The expansion of the industry also brings considerable risks of corruption as mobile services are increasingly provided where the rule of law is weak.

25 companies scored less than 30 per cent in reporting financial data in each country of operation, with AT&T scoring the lowest, with a score of just 1 per cent. Financial accounts for each country of operation should be published to mitigate political and reputational risks, provide information to local stakeholders and enhance investment certainty by disclosing special tax arrangements and potential for regulatory capture.

A number of telecoms companies have started to report their income and taxes on a country-by-country basis; however, community contributions, the amount of investments made and the profit generated before tax are seldom reported country-by-country. Country-by-country reporting is likely to become mandatory in the European Union in the near future.

The average overall score of 4.1 out of 10 in this report makes one thing very clear: Far more work is needed to make telecoms companies less susceptible to corruption.

Based on the report, the overall ranking of the assessed companies is as follows:



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*Transparency International is the civil society organisation leading the global fight against corruption.*

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