

CORPORATE TRANSPARENCY AND ANTI-CORRUPTION FOOTPRINT SWEDEN

This paper is based on Transparency International's report "Transparency in Corporate Reporting: Assessing Emerging Market Multinationals" 2016 edition¹, which evaluates 100 multinationals based in 15 emerging markets against three corruption relevant criteria: reporting on anti-corruption programmes, organisational transparency and country-by-country reporting. The assessment is based on data collected from the main corporate website of each company in the sample. This paper shows the results for the 22 companies assessed in the report that are doing business in Sweden, shining a light on the transparency footprint those companies have in the country.

The 22 companies are headquartered in one of nine emerging economies and are operating in Sweden via subsidiaries or non-controlled entities. India has the strongest presence with eight companies operating in Sweden.

Company performance for the three assessed criteria is visualized via a simple colour code² which highlights the transparency profile of companies active in Sweden.³

HIGHLIGHTS

18/22
companies

operating in Sweden **DO NOT** publish a policy prohibiting facilitation payments

11/22
companies

operating in Sweden **DO NOT** have a policy that prohibits or requires full disclosure of political contributions

14/22
companies

operating in Sweden **DO NOT** disclose their tax payments

KEY RECOMMENDATIONS

To COMPANIES

- Develop best-in-class anti-corruption programmes as a protection against the risk of bribery and corruption, including a zero-tolerance policy towards facilitation payments.
- Apply the programme to agents or others acting on companies' behalf, as well as to the company's suppliers.
- Publish all elements of the anti-corruption programme on an unrestricted corporate website that is available in at least one international language.
- Strengthen voluntary reporting practices on country-specific financial data.

To GOVERNMENTS

- Implement strong anti-bribery laws and provide the necessary resources to enforce them. Stricter legislation can effectively raise the bar for corporate transparency, both at home and abroad.
- Require companies to disclose their corporate structures beyond material holdings and to publish financial accounts on a country-by-country basis.

¹ http://www.transparency.org/news/pressrelease/emerging_market_companies_show_low_levels_of_transparency_allowing_corrupti

² Green field: full disclosure; Yellow field: partial disclosure; Red field: no public data available

³ It is important to note that findings are based on information collected from the main corporate website of the country where the company is headquartered. Websites of subsidiaries and other entities are not taken into account. However, Transparency International believes it is good practice that policies of the headquarter should apply to all corporate entities, including those abroad.

ANTI-CORRUPTION PROGRAMME TRANSPARENCY

The Anti-Corruption Programme Transparency dimension (ACP) assesses the reporting on key elements of a company's anti-corruption programme. The indicators are based on Transparency International's *Business Principles for Countering Bribery*⁴. While public reporting by companies on their anti-corruption programme cannot be equated with actual performance, it is indicative of their overall anti-corruption awareness and provides an opportunity for companies to focus on their practices. A comprehensive anti-corruption programme that is fully implemented and monitored on a continuing basis is the best protection against the risk of bribery and corruption.

COMPANIES IN SWEDEN: ANTI-CORRUPTION PROGRAMME TRANSPARENCY

The table below shows the transparency levels of companies operating in Sweden with respect to their anti-corruption programmes. While ACP generally is the strongest of the three dimensions assessed, the largely red columns or those with a mix of red and yellow point to some weaker areas, notably on the prohibition of facilitation payments, disclosure of political contributions, and anti-corruption policies that apply to agents as well as to suppliers. In line with the overall results across the three dimensions, Chinese companies show very weak disclosure of their anti-corruption programmes, with ZTE being a notable exception.

	Zero-tolerance to corruption statement	Compliance with laws	Leadership support	Code applies to employees and directors (board)	Code applies to agents	Code applies to suppliers	A/c training for all staff and directors (board)	Gifts and hospitality policy	Prohibition of facilitation payments	Prohibition of retaliation for reporting	Confidential or anonymous whistle-blowing system	Regular monitoring of the programme	Prohibition or full disclosure of political contributions	Anti-corruption transparency score
Companies operating in Sweden														
Magnesita Refratarios, Brazil	Green	Red	Red	Green	Yellow	Red	Green	Red	Red	Green	Yellow	Red	Red	54%
WEG, Brazil	Green	Green	Green	Yellow	Red	Green	Yellow	Yellow	Red	Green	Yellow	Red	Red	54%
China International Marine Containers Group, China	Green	Green	Red	Red	Red	Yellow	Red	Red	Red	Red	Yellow	Green	Red	35%
China Minmetals, China	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	19%
Geely International, China	Red	Red	Green	Red	Red	Red	Red	Yellow	Red	Red	Red	Red	Red	12%
Huawei Technologies, China	Green	Green	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	42%
Lenovo Group, China	Green	Green	Green	Yellow	Green	Green	Yellow	Green	Red	Green	Yellow	Yellow	Red	69%
ZTE, China	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Yellow	Yellow	Red	88%
El Sewedy Electric, Egypt	Green	Green	Red	Green	Green	Yellow	Yellow	Green	Red	Green	Green	Green	Green	77%
Gedeon Richter, Hungary	Green	Green	Red	Yellow	Red	Red	Red	Red	Red	Green	Yellow	Red	Green	46%
Bharat Forge, India	Red	Green	Red	Red	Red	Red	Red	Red	Red	Green	Yellow	Red	Red	19%
Crompton Greaves, India	Green	Green	Red	Red	Red	Red	Red	Red	Red	Green	Red	Red	Red	15%
Infosys Technologies, India	Green	Green	Red	Yellow	Green	Green	Yellow	Green	Red	Green	Green	Green	Red	69%
Suzlon Energy, India	Green	Green	Green	Green	Green	Yellow	Red	Green	Red	Green	Yellow	Yellow	Red	65%
Tata Communications, India	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Yellow	Green	Green	88%
Tata Consultancy Services, India	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Yellow	Green	Green	88%
Tata Steel, India	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Green	Green	Yellow	Green	Green	88%
Wipro, India	Green	Green	Green	Green	Green	Green	Green	Green	Red	Green	Yellow	Green	Green	88%
Mexichem, Mexico	Green	Green	Red	Red	Red	Yellow	Yellow	Red	Red	Green	Yellow	Yellow	Green	77%
United Company Rusal, Russia	Green	Green	Red	Green	Red	Yellow	Yellow	Red	Red	Green	Yellow	Yellow	Green	65%
Sappi, South Africa	Yellow	Green	Red	Yellow	Red	Yellow	Yellow	Red	Red	Green	Green	Red	Green	58%
Koc Holding, Turkey	Yellow	Green	Red	Yellow	Green	Yellow	Yellow	Green	Red	Red	Yellow	Green	Green	62%
Average of companies operating in Sweden														58%

⁴ http://www.transparency.org/whatwedo/publication/business_principles_for_countering_bribery

ORGANISATIONAL TRANSPARENCY

The Organisational Transparency dimension assesses the information companies disclose on their subsidiaries and other company holdings operating around the world. This information helps monitor the financial flows into and from countries and allows citizens to know who is doing business in their country.

COMPANIES IN SWEDEN: ORGANISATIONAL TRANSPARENCY

The following table illustrates the transparency levels companies operating in Sweden with regards to their global structures. The results show that these 22 companies achieve a middling overall score of 57% in organisational transparency. This means that many of them may not even provide information as basic as the names of their wholly-owned subsidiaries in Sweden, let alone disclose other company holdings.

Although the scores below reflect the performance of the companies globally and not in Sweden per se, it is nevertheless a concern that disclosure levels are relatively low.

	Names of all subsidiaries	Countries of incorporation of subsidiaries	Percentages owned in subsidiaries	Countries of operation of subsidiaries	Names of all non-fully consolidated entities	Countries of incorporation of non-fully consolidated entities	Percentages owned in non-fully consolidated entities	Countries of operation of non-fully consolidated entities	Organisational Transparency
Companies operating in Sweden									
Magnesita Refratarios, Brazil									31%
WEG, Brazil									38%
China International Marine Containers Gr									56%
China Minmetals, China									6%
Geely International, China									0%
Huawei Technologies, China									50%
Lenovo Group, China									38%
ZTE, China									88%
El Sewedy Electric, Egypt									81%
Gedeon Richter, Hungary									88%
Bharat Forge, India									75%
Crompton Greaves, India									75%
Infosys Technologies, India									75%
Suzlon Energy, India									75%
Tata Communications, India									75%
Tata Consultancy Services, India									75%
Tata Steel, India									75%
Wipro, India					N/A	N/A	N/A	N/A	75%
Mexichem, Mexico									56%
United Company Rusal, Russia									31%
Sappi, South Africa									25%
Koc Holding, Turkey									75%
Average of companies operating in Sweden									57%

Organisational transparency is important for many reasons, not least because company structures can be made deliberately complex and opaque to hide the proceeds of corruption.

In addition, organisational transparency allows citizens to hold the companies operating in their countries accountable. Citizens in Sweden cannot do that if foreign companies do not make this information public.

COUNTRY-BY-COUNTRY REPORTING TRANSPARENCY

While reporting on anti-corruption policies and procedures is a key element of our assessment, the measurement of additional disclosures, such as financial reporting on revenues, profits, taxes and other key financial information is an essential component of corporate transparency. Country-by-country reporting supports anti-corruption efforts by highlighting, for example, the use of tax havens and the appropriateness of payments to governments. Furthermore, it allows local citizens and civil society organisations to understand the activities of a particular company in their country. It also provides investors with more comprehensive financial information about companies and helps them address investment risk more effectively. Country-by-country reporting is a relatively new practice. Therefore, transparency levels achieved are much lower than for anti-corruption disclosures. However, in Europe and North America for example, changes in the laws relating to certain industries, such as mining and banking, are already requiring mandatory country-by-country reporting.

COMPANIES IN SWEDEN: COUNTRY-BY-COUNTRY REPORTING

This table shows the key financial data companies operating in Sweden disclose for Sweden and for their countries of incorporation.

Our findings show remarkable differences between the disclosure practices of companies in their home country and abroad, with much stronger results for domestic disclosure. As numbers show in the far right column below, several companies operating in Sweden achieve results above 40% for domestic reporting, whereas the level of information on key financials they provide for their operations in Sweden is comparatively low. The much stronger domestic reporting clearly indicates that disclosure of key financial information is achievable and that companies should adopt equally high standards of disclosure at home and in their foreign operations.

It is also interesting to note that eight out of nine companies that disclose any data are from India, where country-level reporting of key financial information is mandatory for all subsidiaries.

	Revenues	Capex	Pre-tax Income	Tax	Community Contributions	Foreign Reporting Score (Sweden)	Domestic Reporting Score (where incorporated)
Companies operating in Sweden							
Magnesita Refratarios, Brazil						0%	0%
WEG, Brazil						0%	40%
China International Marine Containers Gro						0%	10%
China Minmetals, China						0%	0%
Geely International, China						0%	0%
Huawei Technologies, China						0%	20%
Lenovo Group, China						0%	40%
ZTE, China						0%	40%
El Sewedy Electric, Egypt						0%	40%
Gedeon Richter, Hungary						0%	60%
Bharat Forge, India						30%	50%
Crompton Greaves, India						30%	50%
Infosys Technologies, India						30%	60%
Suzlon Energy, India						30%	75%
Tata Communications, India						40%	80%
Tata Consultancy Services, India						30%	60%
Tata Steel, India						30%	80%
Wipro, India						30%	50%
Mexichem, Mexico						0%	20%
United Company Rusal, Russia						10%	20%
Sappi, South Africa						0%	40%
Koc Holding, Turkey						0%	0%
Average of companies operating in Sweden						12%	38%