



TRANSPARENCY IN CORPORATE REPORTING

– A Study of the 20 Largest Companies in Sweden 2015

First edition Transparency International Sweden 2015

ISBN: 978-91-982446-1-8

Copyright © Transparency International Sweden

Translation from Swedish: Christina Nilsson-Posada www.languagecraft.se

FOREWORD

This year Transparency International Sweden has for the second time conducted a study of transparency in the reporting of the largest Swedish companies based on studies of the largest companies in the world. The first study was carried out in 2012/2013.

Transparent reporting is important in order for the companies' interested parties to be able to make well-informed decisions regarding the company in question. Transparent reporting is also a requirement from the citizens and the authorities with whom the company has contact.

It is assuredly encouraging that Swedish companies in the study have, on average, better results than the average of the companies that are included in the international studies. Nonetheless, although many of the Swedish companies have developed robust anti-corruption programmes, the results of the study show that the management of some of the companies have not given enough support to actual anti-corruption work.

It is our expectation that the study at hand will stimulate the debate about the responsibilities of the companies with regards to the transparency of their reporting and that this, in turn, can lead to a raising of standards. We work in different ways towards promoting higher standards. We do this not only because we believe it serves society but also because we believe it to be a prerequisite for the competitiveness of the companies in the long run.

The study is financed by the insurance company Folksam for which we are most grateful.

Stockholm 3 March 2015

Johan Gernandt
Chair of Transparency International Sweden

TRANSPARENCY IN CORPORATE REPORTING – THE ORIGIN OF THE STUDY

Transparency in corporate reporting is important in order for investors, shareholders and other interested parties of the company such as employees, suppliers and agents to be able to make decisions based on correct information. Transparent information is important for the confidence of the general public in the business of the companies. Transparency is also important in order for authorities, with which the companies are in contact, to be able to handle information, for example with regards to taxation, in a correct manner.

In November 2014 the Transparency International Secretariat in Berlin (TI-S) published a study of the transparency of reporting by the 124 largest companies in the world¹. A similar study was published in 2012². TI Sweden then conducted a study of the transparency in the 20 largest companies in Sweden by applying the same method as the one used by TI-S. The Swedish study was published in the beginning of 2013³. TI Sweden has now once again conducted a study of the 20 largest companies by applying the same method as the one used in the latest study by TI-S.

In all of the studies three different aspects of transparency have been studied; reporting on anti-corruption programmes, information on the organisation of the companies as well as disclosure of revenues and income tax per country, that is country-by-country reporting.

The study is based on information made publicly accessible by the companies, for example on their websites and/or in their annual financial statements. When it comes to anti-corruption programmes there may be discrepancies between what is stated in the programmes and the actual implementation thereof. It should be emphasized that the primary objective is to shed light on that which is written in the programmes. This can be done by studying websites, annual financial statements etc. Any inspection of actual implementation requires altogether different methods of research. A copy of the questionnaire upon which the gathering of information is based can be found in attachment 1.

It should also be made clear that the results of the studies carried out in 2012 - 2013 are, in certain aspects, not comparable to the newer ones. The reason for this is that in the meantime the TI guidelines for companies "Business Principles for Countering Bribery" have been made more stringent and that the awarding of points has therefore been changed in order to correspond with the revised guidelines. In attachment 2 the changes that have been made in the rules for evaluation are further clarified. The instruction in its totality for how evaluation is to be done is to be found by following the link in the footnote⁴.

1 Transparency in Corporate Reporting – Assessing the World's Largest Companies, Transparency International, 2014

2 Transparency in Corporate Reporting – Assessing the World's Largest Companies, Transparency International, 2012

3 Transparency in Corporate Reporting – a study of the 20 largest corporations in Sweden. TI Sweden, Report no. 1/2013

4 http://www.transparency.org/files/content/feature/2014_TICR_Codebook.pdf

The majority of the companies in the international study proved to have well-developed anti-corruption programmes. On average, 70 percent of the requirements for an adequate programme were fulfilled. This result was among the highest for the three aspects investigated. As regards organisational transparency (OT) the average result was 39 percent. For country-by-country reporting the average result was as low as 6 percent. The various transparency aspects have then been put together in an overall assessment. The companies that had the best results in the overall assessment were Eni, Vodafone and Statoil. The worst results were from Bank of Communications (China), Honda Motor Co. Ltd. and Bank of China. There were no Swedish companies included in the international study.

The average results for the Swedish companies are consistently better than for the international companies. Tele 2, for example, got a higher score in the overall index than Eni who was best in the international study. Getinge had the lowest score in the Swedish study.

We have included the overall index result in the study with the objective of following the methodology of the international study but since what the index actually measures might be called into question, we have chosen to include the overall results in an attachment, see attachment 3. It can also be emphasized that the overall index is based on points gained for relatively heterogeneous types of reporting. For example, the points given for organisational transparency and country-by-country reporting may not necessarily be altogether correct since it is most likely easier for a company with only a few subsidiaries attain higher points in comparison with a company with many subsidiaries.

HOW TI SWEDEN CONDUCTED THE SWEDISH STUDY

The Swedish study comprises the 20 largest companies in Sweden ranked according to stock exchange value⁵. Information that the companies have made publicly accessible has been used in order to answer the questions in the questionnaire on company reporting to be found in attachment 1. The completed questionnaires were sent to the respective companies together with a letter with information about the aim of the study and how it was to be conducted. The companies had a few weeks within which to review the results and if necessary make supplementations or changes.

In the letter, the companies were also asked to comment on the implementation of their anti-corruption programmes; (1) How well do you consider that you have been successful in the implementation of the programme throughout the company? (2) Which are the greatest challenges? It was made clear in the letter that these questions are set aside from the scored assessment and thus do not give any points in the final results.

All of the companies apart from Electrolux and Getinge have answered with reactions to the scoring process. Five companies commented on the implementation of the anti-corruption programmes.

Many companies have welcomed the study and expressed the view that the study provides incentive for increasing transparency among Swedish companies.

A number of companies have complained about the fact that the only information being taken into consideration was such that was publicly accessible. The reason that TI-S, as well as TI Sweden, chose to base the study solely on publicly accessible information is that if a company wishes to send clear signals to their business partners about the importance of implementing the same stringent rules as they do, the information must be publicly accessible.

The study has been carried out by Maria Håkansson, Master in Business and Management from Uppsala University. Birgitta Nygren, member of the board of TI Sweden, has been the supervisor. The board members Martin Kragh and Einar Lundgren have formed part of a reference group.

5. "Largest companies" Sweden's largest listed companies, page 39 2014 refers to values from 2012
Transparency International Sweden

REPORTING ON ANTI-CORRUPTION PROGRAMMES

IN THE SWEDISH STUDY	IN THE INTERNATIONAL STUDY
Average score: 80%	Average score: 70%
Highest: Ericsson 100%	Highest: 100%
Lowest: Getinge, Handelsbanken 42%	Lowest: 4%

Two companies in the international study received the highest score, BP and Vodaphone. The mean value was 70 percent and the lowest on the list is Bank of China with a result of 4 percent. In the Swedish study Ericsson was given full points. The mean value in the Swedish study was higher than in the international study and furthermore, the lowest points in the Swedish study were considerably higher than in the international study.

Table 1 Results anti-corruption programme

Ericsson	100%
SCA	96%
Assa Abloy, Atlas Copco, Sandvik, SEB, Scania, SKF	92%
Electrolux	88%
H&M, Tele2, Telia Sonera	85%
Volvo	77%
Alfa Laval, Nordea, Swedbank	73%
Hexagon	69%
Investor	58%
Getinge, Handelsbanken	42%

In the section comprising reporting on anti-corruption programmes there are many different aspects which a company needs to consider communicating publicly in order to be awarded full points. Amongst other things it is necessary that the company's code of conduct or anti-corruption policy expressly applies to all employees and board members, that the policy contains clear-cut rules and restrictions for gifts and hospitality, and that the company has a reporting channel through which employees can anonymously report suspected violations of the anti-corruption policy (whistleblowing) without risk for repercussions. The section contains a total of 13 questions. The table below shows how many of the companies have been given full, half or no points on respective questions.

Table 2 Results anti-corruption programme question by question

QUESTION NUMBER	1 point	0.5 point	0 points
2. Compliance of laws, including anti-corruption laws	20		0
4. The code applies to employees and board members	9	11	0
8. Rules pertaining to gifts, hospitality and	19		1

expenses			
13. Prohibition of political contributions or requirement of public disclosure of such contributions	19		1
11. Anonymous reporting channel for whistleblowers	16	3	1
7. Anti-corruption training programme for employees and board members	4	15	1
1. Zero tolerance statement of corruption	18		2
12. Regular monitoring of the implementation of the anti-corruption programme	14	4	2
6. The code applies to suppliers	12	6	2
10. Prohibition of repercussions for whistleblowers	16		4
9. Explicit prohibition of facilitation payments	14		6
5. The code applies to operators acting for the company such as agents.	14		6
3. Demonstrated support from the management	13		7

The results of the questions were better than in the international study in all areas except prohibition of repercussions for whistleblowers (question 10), the management supports the anti-corruption work (question 3) and the the code applies to the employees and the board members (question 4). In both studies compliance of laws received the highest score. In the international study the prohibition of facilitation payments received the lowest score, while in the Swedish study the managements' support for the anti-corruption work (question 3) came last. The results of question 3 are worse than in the previous Swedish study. This can be explained by the fact that it is not the same companies that have participated in this study as in the previous one.

The companies included in the study have come a long way with the implementation of an anti-corruption programme. However, it should be noted that the study focuses solely on the existence of such a programme and on which components are covered by the programme.

As previously mentioned, all of the companies were asked to comment on the implementation of their anti-corruption programmes; (1) How well do you consider that you have been successful in the implementation of the programme throughout the company? (2) Which are the greatest challenges? Five companies answered these questions. To the first question many companies have answered that they think they have managed well, but also that it must be a constantly ongoing process. To the second question several companies answered that the greatest challenges are to keep the anti-corruption work alive, that daily efforts are required to prevent and discover corruption in all business relations and that the companies operate in many countries with a varied risk of corruption. The comprehensive geographic spread of affiliated companies and a higher degree of decentralisation also entail a challenge. The anti-corruption programmes are, increasingly often, implemented locally and with less involvement of the head offices.

ORGANISATIONAL TRANSPARENCY

IN THE SWEDISH STUDY	IN THE INTERNATIONAL STUDY
Average score: 75%	Average score: 39%
Highest: Telia Sonera 88%	Highest: 100%
Lowest: Alfa Laval 69%	Lowest: 13%

In the international study one company, Eni, received 100 percent on organisational transparency. 14 companies got the lowest score in the study, 13 percent. The mean value was 39 percent, which is below the lowest results in the Swedish study. In spite of the fact that none of the Swedish companies got 100 percent, 18 of 20 companies have a result of 75 percent. There were only three companies that received more than 75 percent in the international study.

Table 3 Results organisational transparency

Telia Sonera	88%
Assa Abloy, Atlas Copco, Electrolux, Ericsson, Getinge, Handelsbanken, Hexagon, H&M, Investor, Nordea, Sandvik, SCA, SEB, Scania, SKF, Tele2, Volvo	75%
Alfa Laval 69%	69%

In this section it is the disclosure of wholly and partially owned subsidiaries that have been assessed. In order to get full points the following is required: a complete list of all wholly and partially owned subsidiaries⁶, the percentage the company owns in each respective company, data on where the companies are registered as well as data on the countries within which the companies operate. The section can be seen as an important part in the work towards increasing transparency in the companies and thus increasing confidence among interested parties.

⁶ Associate companies and joint ventures

COUNTRY-BY-COUNTRY REPORTING

IN THE SWEDISH STUDY	IN THE INTERNATIONAL STUDY
Average score: 16%	Average score: 6%
Highest: Tele2 80%	Highest: 66%
Lowest: Hexagon, Scania, SKF 0%	Lowest: 0%

In the country-by-country reporting in the international study Statoil received the highest score, 66 percent. The average was 6 percent and more than 50 companies were given no points at all. In the Swedish study Tele2 was the company with the highest points with a wide margin to H&M at a second place. In the Swedish study there were only three companies, Hexagon, Scania and SKF who did not receive any points at all. However, the average score in the Swedish study, 16 percent, bears witness to the fact that also in the Swedish study there are many companies with relatively low points.

Table 4 Results country-by-country reporting⁷

Tele2	80%
H&M	40%
SEB	28%
Nordea	27%
Atlas Copco	23%
Assa Abloy, Handelsbanken, SCA	20%
Telia Sonera	11%
Swedbank	10%
Electrolux	8%
Volvo	7%
Sandvik	5%
Alfa Laval	4%
Ericsson	3%
Getinge	1%
Hexagon, Scania, SKF	0%

In order to get full points on the questions in this section the company must disclose revenues, investments, income before tax, income tax, and donations to charity in all companies within which the company operates either directly or by way of its consolidated⁸ subsidiary companies.

Country-by-country reporting is for outside parties a way of ensuring that the companies pay taxes in the countries in which they operate and that the companies' money goes solely towards legitimate objectives and projects in society. It is a disclosure that provides clear insight into the various activities of the company.

⁷ Excluding Investor as Investor does not have any subsidiary companies outside of Sweden

⁸ Subsidiary companies owned by more than 50 percent

RECOMMENDATIONS

The recommendations of TI Sweden are largely based on the recommendations found in the international study.

TO COMPANIES

All companies should see to it that the management sends clear signals as to the importance of the anti-corruption work

It has become apparent in the study that as many as seven of the 20 investigated companies lack a clear statement from the management regarding the importance of the anti-corruption work. An efficient implementation of an anti-corruption programme requires a strong commitment from the management.

Demands must be made on the business partners of the companies to apply the same strict rules as in one's own company

TI Sweden welcomes the development by an increasing number of companies of robust anti-corruption programmes. All of these companies are urged to impose requirements on their business partners to apply the same stringent rules.

Publish the complete list of subsidiaries, joint ventures and other companies in which the parent company holds an interest in

The majority of companies in the study have published complete or near complete information on interests in other companies. Those who have not yet done so, are encouraged to do so.

Publish data on operating profit, investments, tax payments and donations to charity country-by-country

All companies operating in different countries shall, as basis for their annual reporting, gather financial data from all of the countries in which they operate. The information should be made publicly available by all the companies in order to increase the transparency in the operations of the company.

TO THE GOVERNMENT

A review of the rules regarding company fines must promptly be carried out.

In the inspection done as early as 2013 of Sweden's implementation of the OECD-convention against bribery in international business transactions Sweden was criticized for the fact that no legal person is ever held accountable in connection with violations of the convention and that corporate fines are far too low. It was made clear that a fine should also be possible to use against middlemen and agents. The review of the rules regarding company fines must promptly be carried out.

Encourage companies to develop an anti-corruption programme

The government should actively encourage companies to develop anti-corruption programmes in dialogue with the companies and their organisations.

Work for expanded EU-rules with a requirement for companies to report country-by-country

The government is urged to work in EU for a requirement for country-by-country reporting to be initiated in all multinational companies.

TO INVESTORS

Both institutional and private investors should demand reporting on anti-corruption programmes, consolidated and non-consolidated subsidiaries and country-by-country reporting.

Credit rating institutes and institutes that publish indexes of "corporate social responsibility" should take into account the existence of anti-corruption programmes, organisational transparency and country-by-country reporting in their evaluation models.

International accounting standards should demand organisational transparency and country-by-country reporting.

ATTACHMENT 1 – QUESTIONNAIRE

REPORTING ON 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 (senior member of management or board) demonstrate support for anti-corruption?
4. Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?
5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorised to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?
6. Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?
7. Does the company have in place an anti-corruption training programme for its employees and directors?
8. Does the company have a policy on gifts, hospitality and expenses?
9. Is there a policy that explicitly prohibits facilitation payments?
10. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?
11. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting (whistle-blowing)?
12. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?
13. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

ORGANISATIONAL TRANSPARENCY

14. Does the company disclose all of its fully consolidated subsidiaries⁹?
15. Does the company disclose percentages owned in each of its fully consolidated subsidiaries?
16. Does the company disclose countries of incorporation for each of its fully consolidated subsidiaries?
17. Does the company disclose countries of operations for each of its fully consolidated subsidiaries?
18. Does the company disclose all of its non-fully consolidated holdings (associates, joint ventures)¹⁰?

9. Wholly consolidated company is defined as a subsidiary owned by more than 50 %.

10. Partially consolidated company is defined as a subsidiary owned by 50 % or less.

19. Does the company disclose percentages owned in each of its non-fully consolidated holdings?
20. Does the company disclose countries of incorporation for each of its non-fully consolidated holdings?
21. Does the company disclose countries of operations for each of its non-fully consolidated holdings?

COUNTRY-BY-COUNTRY-REPORTING

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?

ATTACHMENT 2 - CHANGES IN ASSESSMENTS IN THE 2014 STUDY COMPARED TO THE 2012 STUDY

Anti-corruption programme

- In order to receive full points on questions 4 and 7, requirements for training must apply not only to employees but also to board members. The change is motivated by the tightening made in the guidelines "Business Principles for Countering Bribery". Only companies that expressly name both employees and board members receive a full score.
- In 2012, 0.5 points were given on question 5 if agents or representatives were encouraged to implement the company's programme, even if they did not have too. In the 2014 study the 0.5 alternative has been taken away. 1 point is only given if agents and representatives have to apply the company's anti-corruption programme.
- In 1 question 6 the rules have been changed. In order to get full points it is necessary that persons or companies who supply products or services according to a contract with the company, 1) must implement the company's programme, an equivalent of it or a supplier's code issued by the company, 2) that the company has control over the implementation, and that 3) the company follows up on the continued implementation of the company code by the supplier.
- In question 11 in the 2014 study a company is required not only to have a channel for reporting which guarantees confidentiality but which can also be used for two-way communication.
- In question 13 in the 2012 study 0.5 points were given if the company published its contributions to political parties for some but not all countries, for example in the country where the company has its base. In the 2014 study the company gets 0 points if it does not publish political contributions in all countries.

Organisational transparency

- For full points the company is required to publish all its holdings in other companies, not only those applying to holdings in consolidated companies. If only the consolidated companies were published, 0.5 points were given.
- In the 2012 report the answers to questions 17 and 21 were not included due to problems which arose during the gathering of data. In the 2014 study all the questions regarding organisational transparency are included.

Country-by-country reporting

- In question 22 companies that only report revenues in the countries where their customers are localised get 0.5 points.
- In question 26 the requirement for points is that the amount set aside for charity is accounted for country-by-country. A description that does not disclose the amounts gives no points.

ATTACHMENT 3 - OVERALL TRANSPARENCY INDEX

The overall transparency index is presented here in a way similar to the one in the international study. The index is an average of the results of the companies' reporting on the three different aspects in the investigation, that is anti-corruption programme (ACP), organisational transparency (OT) and country-by-country reporting (CBC).

Table 5 Results overall transparency index¹¹

	ACP	OT	CBC	Total
Tele2	85%	75%	80%	8.0
H&M	85	75	40	6.7
SEB	92	75	28	6.5
SCA	96	75	20	6.4
Atlas Copco	92	75	23	6.3
Assa Abloy	92	75	20	6.2
Telia Sonera	85	88	11	6.1
Ericsson	100	75	3	5.9
Nordea	73	75	27	5.8
Electrolux	88	75	8	5.7
Sandvik	92	75	5	5,7
Scania	92	75	0	5.6
SKF	92	75	0	5.6
Swedbank	73	75	10	5.3
Volvo	77	75	7	5.3
Alfa Laval	73	69	4	4.9
Hexagon	69	75	0	4.8
Handelsbanken	42	75	20	4.6
Getinge	42	75	1	3.9

Tele2 is the company that received the highest score in the overall transparency index. It is clear from the table above that the companies have to be relatively strong on all three aspects of the reporting in order for a good overall result. It does not suffice to merely be very strong in one aspect.

¹¹ Excluding Investor since Investor is excluded from the country-by-country reporting
Transparency International Sweden