

OPEN BUSINESS LAUNCH 12 MARCH 2020

EVENT BRIEF

Principles and guidance for anti-corruption corporate transparency

Transparency International UK has found that **while transparency is increasingly becoming a norm in the corporate world, meaningful disclosures, particularly around governance and anti-corruption, remain limited.**

Open Business challenges companies to fundamentally rethink the way they disclose details of their work to combat corruption through better corporate practice. **Our report provides practical guidance for disclosures in anti-corruption and governance and seeks to fill the “guidance gap” by:**

- Demonstrating the business case for corporate governance and anti-corruption transparency
- Identifying and providing guidance on disclosure across five areas that are at high risk from corporate corruption
- Offering responses to some of the legal challenges that might inhibit companies from disclosing information

On 12 March we held a launch event to mark the publication of the report, hosted by RPC law firm.

Daniel Bruce, CEO of Transparency International UK introduced the context for our research.

Our *Open Business* report complements and advances the current transparency climate in which increasing demands are being placed on companies to disclose across all strands of their Environmental, Social and Governance (ESG) programmes. ESG factors are increasingly considered paramount to ensure sound capital markets, the stability of the financial system and to support the realisation of sustainable development.

Notably, corporate transparency does not sit in silo in the Governance strand of ESG. Given the corrosive nature of corruption on achieving sustainable development, **for companies to improve their performance around social and environmental factors, they need to strengthen and be open about the measures that they take to fight corruption.** One way in which to strengthen the fight against corruption is corporate disclosure.



Daniel Bruce, CEO, Transparency International UK, gave opening remarks at the Open Business report launch.

Daniel's introduction was followed by a panel discussion. The panel discussed drivers for corporate transparency, practical insights into how companies can embrace the principles put forward in our research and the future of corporate transparency.



The panellists in order from left to right:

- Rogerio Ghesti, Head of International Policy, International Chamber of Commerce UK
- Sue Elliot, Global Head of AB&C Framework Advisory Policy & Training at HSBC
- Eddie Rich, TI-UK Trustee and CEO at International Hydropower Association
- Sam Tate, Partner, RPC (Chair)
- Peter Elam, Group Head of Risk Management & Business Assurance, Anglo American plc.

To begin the discussion, the panellists addressed **the drivers for corporate transparency** – emphasising not only the business case for transparency, but “the expectation case” for transparency by stakeholders. The key question not being “why disclose?”, but “why not disclose?”.

A focus of the panellists was the role of transparency in **building trust with all stakeholders**. It was also argued that for companies to be ahead of the game and be pioneers in the business community, disclosure is key.

Disclosure was also presented by the panellists as a key tool in managing corruption risks. The opportunities for disclosure are supported by continual improvements in technology and communication methods which means that **the potential for transparency is unprecedented**.

Consult Chapter 1 of *Open Business* to find further evidence presented of the business case for transparency.

“Given the clear business case for greater transparency, the question companies need to start asking themselves is not ‘why disclose?’ but rather ‘why not disclose?’.”

**Sophie Ogilvy, Business Integrity Director
Transparency International UK**

The report provides corporate transparency guidance and a set of corporate transparency principles to companies **across five key anti-corruption areas**:

- Anti-corruption programme transparency (including managing third parties and procurement)
- Beneficial ownership transparency
- Organisational structure transparency
- Country-by-country reporting transparency
- Corporate political engagement transparency

The panellists addressed the key themes of the report in the discussion. Some highlights across the themes include:

Relating to a question on **beneficial ownership transparency** (BOT) and the role of companies in pushing forward further reforms, our trustee emphasised how closely linked BOT is to the anti-corruption agenda. In business, he highlighted how important it is that people know who they are dealing with, whether they are customers or suppliers.

Again, the panellists raised the issue of trust, in this case, in relation to being able to trust the data that is provided. For companies, being able to rely on and trust the ownership data kept in publicly available registers would allow for **significant cost savings**. Here data validation is key.

In general, the panellists called for wider efforts that **share, harmonise and validate the data across borders**.

A panel member also posed the question – where the information is given to an authorised entity, if the company and the entity have nothing to hide, then why should the information-sharing stop there?

Relating to the panellists' comments on the need for data to be harmonised and validated, Principle 2.3. in the report states that:

Principle 2.3. The company should publicly advocate that governments adopt data standards for beneficial ownership disclosure; in countries where public beneficial ownership registers do not exist, the company should advocate that governments set up beneficial ownership registers.

When asked about how a company can publish more information on their organisational structure, the panellists acknowledged that the issue of **organisational structure transparency**, in their view, is addressed very differently across regions and across organisations of varying size. However, a key takeaway was that **once you start asking the questions, corporates start thinking differently about how they are structured**.

Two *Open Business* principles relating to this question are:

Principle 3.1. The company should publicly disclose all fully consolidated subsidiaries and non-fully consolidated holdings, and the percentages that it owns in each of these entities.

Principle 3.2. The company should publicly state that it will not work with businesses which operate with deliberately opaque structures.

On the topic of **country-by-country reporting**, a panel member spoke to why their company has been reporting on a country-by-country basis for a number of years. For them reporting in this way was the obvious thing to do. Companies pay tax anyway, they engage with tax authorities anyway and they pay appropriately anyway – so **why wouldn't a company be transparent about what tax they are paying**, unless they had something to hide? Tax is part of the contribution a corporate makes to the government and the communities they are working alongside when operating in any country. Equally, a panel member raised that from a business ease perspective, by paying your taxes and being transparent about it, this can help build positive relationships as a company goes through licensing conversations, for example.

The *Open Business* principles relating to this response are:

Principle 4.1. The company should publicly disclose the nature of work, the countries of operation and the counties of incorporation of its fully consolidated subsidiaries and non-fully consolidated holdings.

Principle 4.2. The company should publicly disclose country-by-country breakdowns of its payments to governments.

The panellists also addressed the perceived challenges to disclosure and discussed why these are not insurmountable speaking to Chapter 7 of the report which provides answers to the **frequently cited legal challenges** to public disclosure, provided with legal insights from Reynolds Porter Chamberlain. The report addresses challenges cited from perspectives including data privacy considerations, competition law and overcoming the difficulties of collating data from across a multinational organisation.

One panellist spoke about the complications of liaising between different teams across different sections of risks but emphasised that these challenges are by no means insurmountable. He highlighted that **many clients seek corporate disclosure** which legal teams need to support.

The discussion ended with a forward-looking question, where the panellists suggested what **the future of corporate anti-bribery and corruption disclosure** could look like in the next 5 to 10 years.

The ideas the panellists suggested included:

- Real-time disclosure and the end of annual reporting
- Increased expectations from consumers for data to be used in a transparent and ethical way
- A note of caution not to take transparency for granted -- people can get information overload and therefore to avoid this there must be harmonisation of data for meaningful disclosure

Q&A Session

Two highlights from the Q&A session are:

Q: How do you prevent people from beating the controls if you make them public?

The panellists suggested that while there is a belief that if you give out the rules, then people will find a way around them, the inverse can be true. And, by talking about your controls you signal to people that you have them and that it is something you are monitoring – which acts as a deterrent. The key is to give a summary of the controls rather than all of the details. For example, a company can communicate that they have a robust Know Your Customer system but does not have to go into the detail of the 50 questions that the company asks.

Q: Transparency is driven by investor demand, however investors often rely on checklists and formulaic reporting processes – how can one gain a genuine insight into what companies are doing?

Members of the panel responded that reporting must be more than a checklist – companies need to develop public statements which build in their values and show what they are doing around anti-bribery and corruption risk mitigation, and what they can be doing more of. The panellists also noted that people respond well to stories.

Following from the launch of this report, we call on companies to increase their meaningful disclosures of:

- anti-corruption programmes, particularly with reference to the frameworks behind, and implementation of, their policies and procedures
- beneficial ownership and publicly advocate for governments to adopt data standards on beneficial ownership transparency
- all fully consolidated subsidiaries and non-fully consolidated holdings, and state publicly that they will not work with businesses which operate with deliberately opaque structures
- the nature of work, their countries of operation and the countries of incorporation of their fully consolidated subsidiaries and non-fully consolidated holdings; and publicly disclose country-by-country breakdowns of their payments to government
- their corporate political engagement, including around their control environment, political contributions, lobbying and on the revolving door

We are always interested to talk to you about the five anti-bribery and corruption areas addressed in this report and to engage with you on progressing corporate transparency and raising business integrity standards.

Access the full report here:

www.transparency.org.uk/publications/open-business-anticorruption-governance-disclosure-guidance/