TRANSPARENCY INTERNATIONAL NORGE

TRANSPARENCY IN CORPORATE REPORTING

ASSESSING LARGE COMPANIES ON OSLO STOCK EXCHANGE (2013)

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.

Transparency International's Norwegian chapter (TI Norway) was founded in 1999 and has its office in Oslo.

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The study is conducted by EY (Ernst & Young AS) on behalf of TI Norway. EY has been responsible for data collection and for structuring and summarising the results. Analyses are conducted and the report is written in collaboration between EY and TI Norway.

The Transparency International Secretariat has assisted with advice and clarifications on study methodology.

TRANSPARENCY INTERNATIONAL NORGE

KLP Kapitalforvaltning

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On the scale 0-10, 0 implies least transparent and 10 most transparent. The overall index is based on the un-weighted average of results in all three categories.

ACP = Result for reporting on anti-corruption programmes

OT = Result for organisational transparency (subsidiaries and ownership interests)

CBC = Result for country-by-country reporting of financial information

Diagram 1

Overall index for results on transparency in corporate reporting[1]

Rank	Company	Index	ACP	OT	CBC
1	Statoil ASA	8,0	100%	75%	66%
2	Telenor ASA	6,9	100%	56%	50%
3	Cermaq ASA	6,7	96%	69%	36%
3	DNO International ASA	6,7	62%	75%	64%
5	Norsk Hydro ASA	6,4	96%	63%	34%
6	Aker Solutions ASA	5,7	96%	75%	0%
6	Kongsberg Gruppen ASA	5,7	96%	75%	0%
8	Ekornes ASA	5,3	42%	100%	18%
8	Kværner ASA	5,3	85%	75%	0%
8	Tomra Systems ASA	5,3	85%	75%	0%
11	Petroleum Geo Services ASA	5,2	92%	63%	2%
11	Seadrill Ltd.	5,2	77%	63%	18%
13	Opera Software ASA	5,1	77%	75%	2%
13	Polarcus Ltd.	5,1	77%	75%	0%
13	Prosafe SE	5,1	77%	75%	0%
16	DNB ASA	5,0	88%	44%	18%
17	SAS AB	4,9	69%	75%	2%
17	Schibsted ASA	4,9	69%	75%	2%
19	BW Offshore Ltd.	4,8	69%	75%	0%
19	Yara International ASA	4,8	92%	44%	8%
21	Awilco Drilling PLC	4,6	62%	75%	0%
21	Borregaard ASA	4,6	62%	75%	0%
21	Copeinca ASA	4,6	62%	75%	0%
24	Orkla ASA	4,5	85%	44%	6%
25	Aker ASA	4,4	77%	56%	0%
25	Archer Ltd.	4,4	69%	50%	14%
27	Marine Harvest ASA	4,3	69%	56%	4%
27	TGS-NOPEC Geophysical Co. ASA	4,3	54%	75%	0%
27	Wilh. Wilhelmsen ASA	4,3	54%	75%	0%
30	Subsea 7 S.A.	4,2	65%	56%	5%
30	Wilh. Wilhelmsen Holding ASA	4,2	50%	75%	0%
32	Dolphin Group ASA	4,0	46%	75%	0%
32	SalMar ASA	4,0	46%	75%	0%
34	Fred. Olsen Energy ASA	3,7	31%	75%	4%
34	Sevan Drilling ASA	3,7	15%	75%	20%
36	DOF ASA	3,5	31%	75%	0%
37	Höegh LNG Holdings Ltd.	3,3	23%	75%	2%
37	Norwegian Air Shuttle ASA	3,3	23%	75%	0%
37	Stolt-Nielsen Ltd.	3,3	15%	75%	10%
40	Farstad Shipping ASA	3,1	8%	75%	10%
41	Austevoll Seafood ASA	2,8	8%	75%	0%
41	Golden Ocean Group Ltd.	2,8	46%	19%	20%
43	Arendals Fossekompani ASA	2,7	0%	81%	0%
44	Bonheur ASA	2,6	0%	75%	2%
45	Ganger Rolf ASA	2,5	0%	75%	0%
45	Siem Offshore Inc.	2,5	0%	75%	0%
45	Solstad Offshore ASA	2,5	0%	75%	0%
48	Lerøy Seafood Group ASA	1,7	8%	44%	0%
48	Nordic Semiconductor ASA	1,7	0%	50%	0%
50	Royal Caribbean Cruises Ltd.	1,4	42%	0%	0%

[1] Cermaq, DNB, Kongsberg Gruppen, Kværner, Norsk Hydro, Orkla, Petroleum Geo Services, Schibsted, Statoil and Telenor are members of TI Norway.

1. INTRODUCTION

Corruption is a major risk for Norwegian companies operating internationally. It can result in criminal sanctions, loss of contracts and loss of reputation. In addition, corruption is detrimental to innovation, entrepreneurship, market mechanisms and economic stability that are all crucial elements in a functioning economy.

Transparency is essential for preventing and detecting corruption.

Companies incorporated in Norway must comply with the information requirements in the Accounting Act and the Companies Act. Companies incorporated in other jurisdictions must comply with other equivalent laws and regulations. In recent years there have been initiatives towards more extensive reporting requirements both internationally and in Norway. Still, transparency in business is largely a voluntary matter. With a desire to build trust among the company's different stakeholders, many companies choose to publish information that exceeds the legal requirements, so that stakeholders can have a clear picture of the business.

In 2012, Transparency International studied how the world's 105 largest publicly listed multinational companies reported on subjects relevant to combating corruption[2]. The study was based on publicly available information from the companies within the areas of anti-corruption programme, organisational structure (subsidiaries and ownership interests), and country-by-country financial reporting.

Transparency International Norge (TI Norway) conducted a similar study in 2013, which included the 50 largest companies with significant international operations listed on Oslo Stock Exchange on 4 March 2013. The results of the study are described in this report. Several national chapters of Transparency International have carried out or are about to carry out equivalent studies, for instance a Swedish study was conducted in 2013[3].

In March 2013, the companies covered by the Norwegian study had business in more than 160 countries in total and represented a total market value of 1 500 billion NOK (approx. 250 billion USD).

The companies' activities affect employees, customers, suppliers and business partners – and thereby also the business ethics – in the countries where they are present. The economic power of the companies can be a significant source to innovation and economic development, but can – if misused – also contribute to economic stagnation and poverty.

Complete and easily accessible information about anti-corruption programme, company structure and country-by-country financial data gives a picture of a company's business ethics, operations, revenues, investments, profits and taxation. As a result, stakeholders (investors, analysts, journalists, civil society organisations and others) have information available to make judgements and decisions, and to influence the company.

Good and comprehensive reporting is no guarantee for good practice, but is an indication of awareness, commitment and action. It can also enable wrongdoing or misinformation to be more readily uncovered and corrected.

Companies publishing information of importance for combating corruption show that they take this challenge seriously, and indicate that they wish to be a part of the solution and not a part of the problem.

2 http://issuu.com/transparencyinternational/docs/2012_transparencyincorporatereporting_en
3 http://www.transparency-se.org/4_ENG_TI_Transparens-i-foeretagens-rapportering_978-91-980090-9-5_EN.pdf

2. EXECUTIVE SUMMARY

The study on which this report is based was carried out to encourage increased transparency among Norwegian companies.

The study has gathered and analysed publicly available information based on company websites for the 50 largest companies with significant international operations, listed on Oslo Stock Exchange. Like the international study, *Transparency in Corporate Reporting: Assessing the World's Largest Companies*[4], the research has focused on three dimensions of transparency, which are important for combating corruption, in the companies' publicly available reporting[5]:

- The company's anti-corruption programme, covering bribery, facilitation payments, whistleblower protection, political contributions and training.
- Organisational information on subsidiaries and other ownership interests, including ownership share, country of incorporation and countries of operations.
- Country-by-country reporting including revenues, investments, taxation and community contributions[6] for all countries where the companies have operations.

The companies covered by the Norwegian study are selected on the basis of marked value on Oslo Stock Exchange on 4 March 2013[7]. Companies with no significant international operations outside of the Nordic countries, and companies only selling goods from Norway to other countries, are not covered by the study.

The overall index of results from the study, including ranking of the companies, is shown in Diagram 1. Results with companies sorted by size are shown in Annex 5.

The results show that the companies generally have potential for improvement in all dimensions of transparency covered by the study. This especially applies for the country-by-country reporting. In the overall index, no companies achieved full score. Only 16 of the 50 companies obtained average score or higher. Some companies have good results in some areas, and the report highlights examples of good practice.

TI Norway intends to repeat this type of study to look for improvements. Privately owned unlisted, and state and local government-owned companies, may then also be included.

4 http://issuu.com/transparencyinternational/docs/2012_transparencyincorporatereporting_en
5 Refer to Annex 2
6 Refer to Annex 3
7 Refer to Annex 4

Transparency of the company's anti-corruption programme

The majority of the companies in the study have fully or partly published their anti-corruption programmes. Two companies achieve full score, while there is room for improvement for the remaining companies. The potential for improvement is greatest when it comes to information about:

- Regular monitoring and training activities related to the companies' anti-corruption programmes.
- Whether suppliers are covered by the companies' ethical guidelines and anti-corruption policy.
- Prohibition of facilitation payments.
- Whether agents and other intermediaries are covered by the companies' ethical guidelines and anti-corruption policy.

During the study, it became evident that several of the companies only publish a short version or selected parts of their anti-corruption programmes. Information that is not made public has not been accounted for in the study, as the study is focusing on transparency. It is also important to note that the study only reveals the level of transparency, and does not aim to assess the quality of the companies' anti-corruption programmes, or to verify the information that the companies have made available.

Organisational transparency (subsidiaries and ownership interests)

In this part of the study, the results are fairly equal. Many companies score well, since the requirements are relatively easy to fulfil. The methodology of the study only requires that the companies inform about *material* ownership interests.

Most of the companies inform about *material* ownership interests in subsidiaries, associated companies, joint ventures and other ownership interests[8], but the concept of *materiality*[9] limits detailed disclosure. As a result, information about many subsidiaries and other ownership interests are not available to the public. The public should have access to which parent companies have interests in various businesses and thus are responsible for these businesses operating corruption-free. The more holdings a company has, the less likely it is that any single holding will be considered *material* vis-à-vis the group as a whole. Some companies inform in detail about all ownership interests, even if they are not covered by the concept of "*materiality*". These are good examples to follow.

Country-by-country reporting

Most of the companies disclose little or no financial data for their operations country-by-country. Disclosure is usually limited to selected countries, and the companies rarely give a reason for why they choose to give information about these countries and not for the remaining countries where the company operates. It also seems relatively common to report on a regional level. Very few companies disclose financial data across all countries of operations. Many companies score zero points in this part of the study.

Country-by-country financial reporting limits the opportunities for corruption. USA and EU have in recent years introduced requirements for country-by-country reporting. The Ministry of Finance is in 2013 working on a proposal for country-by-country reporting in Norwegian legislation. TI Norway has submitted comments to the proposal[10].

8 Refer to Annex 3
9 Refer to Box 5 in Chapter 5 for an explanation of the concept of materiality in applicable accounting standards
10 Refer to Box 6 in Chapter 6 for more information on requirements of country-by-country reporting in EU and Norway

RECOMMENDATIONS

Explanations and justifications for these recommendations can be found in Chapter 8.

To Norwegian companies with international operations:

- A transparent and informative corporate website, available in at least one international language, should be the standard communication tool for all Norwegian companies with international operations.
- Companies should publish detailed information on their anti-corruption programmes. The companies should improve transparency of their anti-corruption programmes by extending the information to cover all topics included in this study.
- Companies should publish complete lists of their subsidiaries, associated companies, joint ventures and other ownership interests.
- Companies should publish financial information for each country of operations.
- Shipping companies, which do not have countries of operations like land-based businesses, should report financial information for countries of harbour calls.

Even though this study only covers the largest Norwegian listed companies, the recommendations are also relevant for other Norwegian companies independent of size and type of ownership.

To the Norwegian government:

- The Norwegian government should require that all Norwegian companies inform about all subsidiaries, associated companies, joint ventures and other ownership interests. This should also to a greater extent be regulated by law.
- The Norwegian government should require that all Norwegian companies with international operations report country-by-country financial information. This should also to a greater extent be regulated by law.

To investors and analysts:

- Institutional and private investors should demand transparency about companies' anti-corruption programmes, organisational information and country-by-country financial information, and factor this information into their investment decisions.
- Equity analysts, rating agencies and others who prepare indexes of companies' social responsibility should have evaluation criteria that capture the companies' transparency of anti-corruption programmes, organisational information and country-by-country financial information.

To civil society organisations:

- Civil society organisations should get involved in the monitoring of foreign companies operating in the organisation's home country, to promote greater transparency.
- Civil society organisations should influence the authorities to demand greater transparency from companies.
- Civil society organisations should praise and criticise politicians, ministries and public service entities depending on their attitudes and practice in promoting transparency among Norwegian companies.

3. PROJECT RATIONALE AND METHODOLOGY

Transparency in corporate reporting is a part of TI Norway's work for combating corruption. Although transparency does not necessarily equal either good practice or good performance, TI Norway believes that the companies through reporting demonstrate commitment to countering corruption. Transparency also makes companies more easily accountable for possible shortcomings and discrepancies between what they say and what they practice.

This study assesses the transparency of corporate reporting by 50 of the largest companies listed on Oslo Stock Exchange. The companies covered by the study were chosen on the basis of their market value on Oslo Stock Exchange on 4 March 2013[11]. Companies with no significant international operations outside of the Nordic countries, and companies only selling goods from Norway to other countries, were excluded. Gathering of information lasted from April 2013 to 10 June 2013, followed by submission of preliminary results to the companies with deadline for feedback 19 July 2013. The companies may have published relevant information after 19 July 2013. However, this is not taken into account in this report.

Transparency of corporate reporting is assessed in three dimensions:

- Transparency of anti-corruption programmes.
- Organisational transparency (subsidiaries and ownership interests).
- Country-by-country reporting of financial information.

These dimensions are all fundamental to transparency, and contribute in countering corruption. Public access to information about anti-corruption programmes is a basic preventive measure because it enables the company to show their stakeholders that it is committed to countering corruption. Transparent organisational structures are necessary to ensure public traceability between responsible parent companies and subsidiaries, and ownership interests in different countries. Country-by-country reporting allows local citizens and civil society organisations to monitor key financial data from the companies' business (including payment of taxes) that are important for a country's economy.

The principal outcomes of this report are:

- Three separate company rankings, one for each dimension.
- An overall index ranking the companies, where the results for the three dimensions are merged.

11 Refer to Annex 4

Data collection and analysis

The study is based on data collected from the companies' annual reports for 2012, the companies' own web-pages and other documents with links from the web-pages. All information used in the study has been publicly available. The companies were made aware that they were a part of the study, which questions they were to be measured by, and a description of the information to be examined.

The data collection is based on 26 questions structured along the three dimensions of transparency of corporate reporting[12]:

- Transparency of anti-corruption programmes
  The 13 questions in this section are based on the *Transparency International – UN Global Compact Reporting Guidance on the 10th principle against corruption*[13]. The guidance was derived from the *Business Principles for Countering Bribery*[14].

- Organisational transparency (subsidiaries and ownership interests)
  The eight questions in this section focus on disclosure of companies' related entities, including subsidiaries, associated companies, joint ventures and other holdings.

- Country-by-country reporting of financial information
  For each country where a company operates, either directly or indirectly via consolidated[15] subsidiaries, country-level financial data were collected on the basis of five questions.

Neither the completeness or the accuracy, nor the companies' compliance with the published information, has been verified.

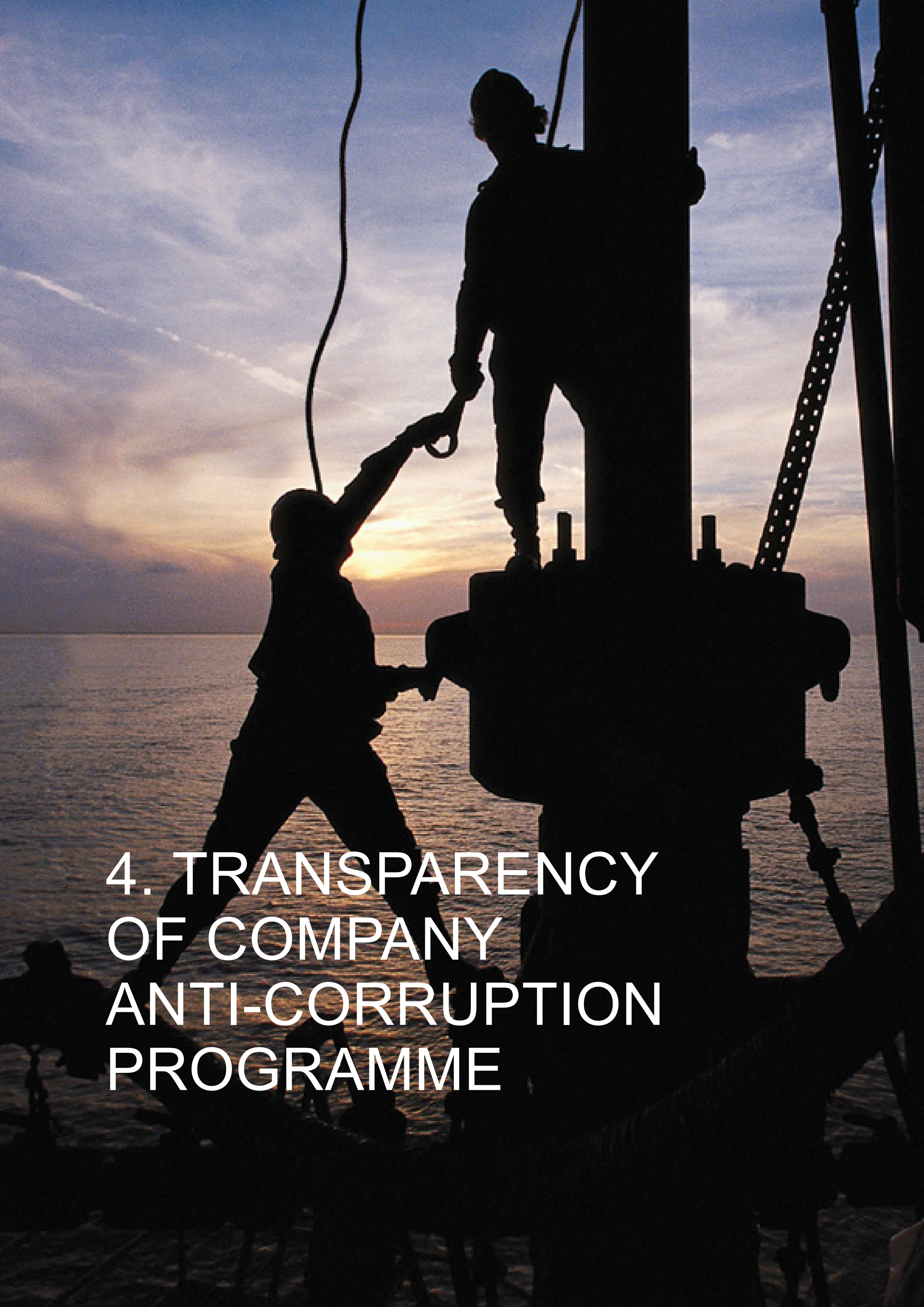
Following the preliminary collection of data, links to information and preliminary results were sent to each of the companies. The companies had the opportunity to comment the findings. Of the 50 companies, 22 used this opportunity. The responses were assessed and the scoring and results were corrected as appropriate. TI Norway highly appreciates the companies' involvement in this process. The companies' participation is important to ensure high quality of the results of the study.

Scoring system

For each question, the companies can achieve 0, 0.5 or 1 point. Maximum possible points for the two first dimensions correspond to the number of questions (13 for anti-corruption programmes, and eight for organisational transparency). For the last dimension (country-by-country reporting), one point can be achieved for each question per country of operations, i.e. a maximum of five points per country. As the maximum score for the last dimension varies from company to company, results are converted to per cent. The results per dimension are expressed as a percentage of maximum achievable score. The overall index is developed by taking a simple average of the results achieved for each dimension, which is then converted to points between 0 and 10, where 0 is the worst and 10 is the best score.

Annex 1 contains more information about the methodology of the study.

12 The complete list of questions can be found in Annex 2
13 http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf
14 http://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery/1/
15 Refer to Annex 3



4. TRANSPARENCY OF COMPANY ANTI-CORRUPTION PROGRAMME

100 %

HIGHEST PERFORMING:

Statoil, Telenor

54 %

AVERAGE

0 %

WORST PERFORMING:

Arendals Fossekompani, Bonheur,
Ganger Rolf, Nordic Semiconductor,
Siem Offshore, Solstad Offshore

4. TRANSPARENCY OF COMPANY ANTI-CORRUPTION PROGRAMME

An anti-corruption programme constitutes a company's first line of defence against different forms of corruption. Publication of the anti-corruption programme underscores the company's commitment to counter corruption and encourages ethical conduct among management, employees, partners, agents, suppliers and other relevant parties throughout the value chain.

I 2009, the *Transparency International – UN Global Compact Reporting Guidance on the 10th principle against corruption*[16] was issued. This practical tool, derived from the *Business Principles for Countering Bribery*[17], sets out clear recommendations on the elements of a company's anti-corruption programme that should be publicly disclosed.

BOX 1: IS REPORTING ON ANTI-CORRUPTION PROGRAMMES MEANINGFUL?

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

Still, there are strong arguments supporting good reporting:

- A company that publicly describes a practice that is not consistent with reality exposes itself to legal and reputational risks.
- Public commitments make a company accountable to its stakeholders and to the general public.
- Public commitments make stakeholders and the general public able to monitor and detect possible discrepancies between the company's commitment and behaviour.
- Good public reporting supports and promotes good behaviour.
- Publication of the anti-corruption programme by a company with international business has a positive impact on employees worldwide because it confirms the parent company's commitment and support for ethical choices and ethical behaviour.

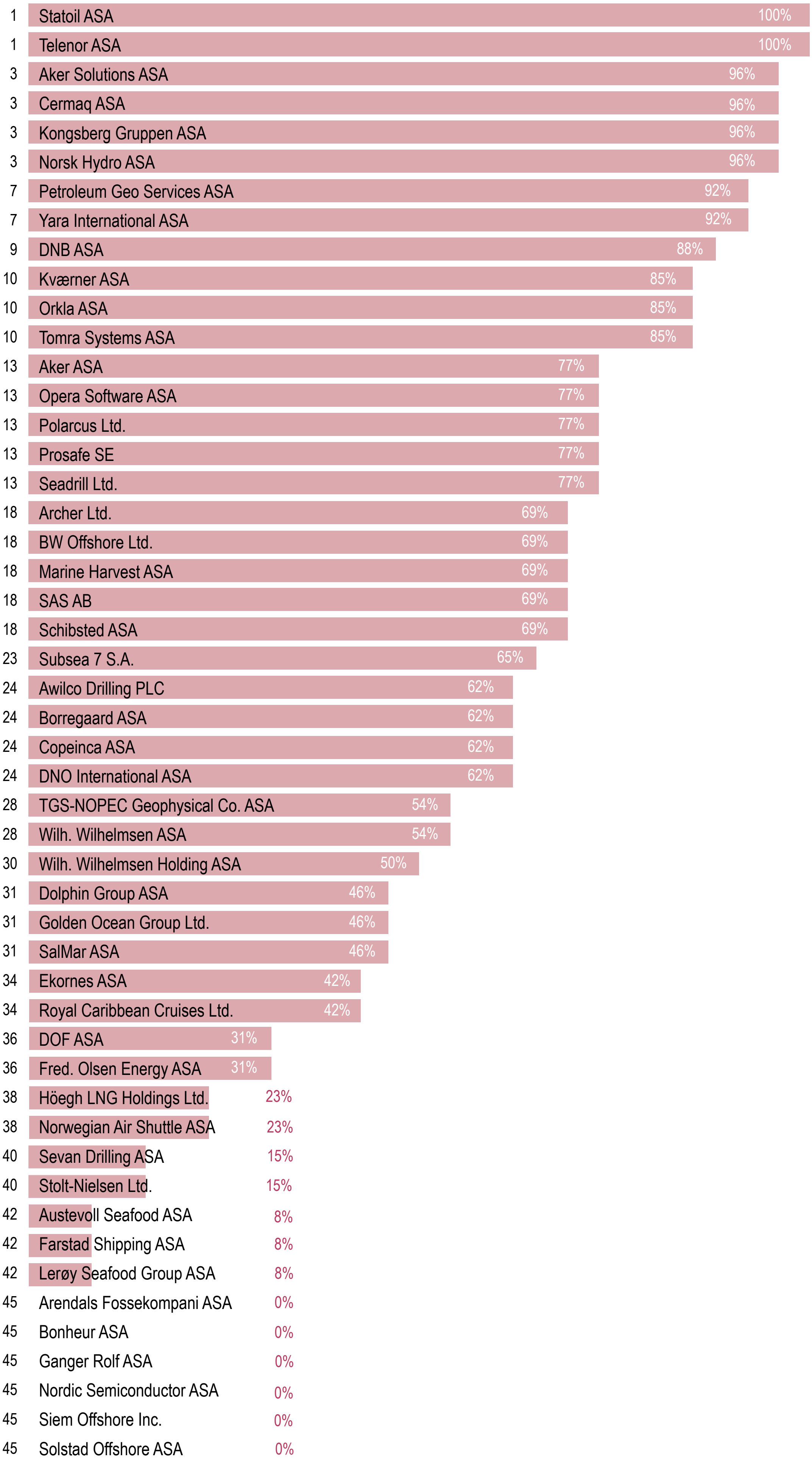
Diagram 2 shows the companies' results for the questions in the dimension "Transparency of the company's anti-corruption programme". The list is sorted by the highest score on the top, and the lowest score at the bottom. Results sorted by company size are shown in Annex 5.

The companies in the survey achieved an average of 54 % within this dimension. This is slightly below the results in the global survey, where the corresponding number was 68 %. The same average is achieved in the Norwegian study if only the 26 largest companies are to be included.

16 http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf
17 http://www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery/1/

Diagram 2

Results of transparency of the company's anti-corruption programme



Only Statoil and Telenor achieved the maximum possible result of 100 %. Eight companies achieved a higher result than 90 % and 17 companies achieved a result of 77 % or higher. At the bottom of the list are the six companies Arendals Fossekompani, Bonheur, Ganger Rolf, Nordic Semiconductor, Siem Offshore and Solstad Offshore, which have not published anti-corruption programmes and therefore get zero score.

There is a certain connection between company size and score[18]. Among the 25 largest companies, 21 companies are on the top half of the ranking. Among the 25 largest companies, Royal Caribbean Cruises, Fred. Olsen Energy, Lerøy Seafood and Norwegian Air Shuttle have the weakest results. Among the 25 smallest companies in the selection, Opera Software, Kværner and Polarcus are worth mentioning, as they have results well above average.

Diagram 3 shows total results for each question for all companies, sorted by the highest score question on top, and the lowest at the bottom.

The question regarding whether the company publishes that its anti-corruption policy applies to all employees gave the best score. Here, 40 of the companies achieved full score. The second best result was for the question about guidelines for gifts, hospitality and travel expenses, where 38 companies achieved full score. This could be related to a lot of attention on this topic in Norway through several years.

At the other end of the scale, we find the question about regular monitoring of the anti-corruption programme. Only eight of the companies report that they monitor the programme regularly, and additionally specify how regular. Six companies report that they monitor the programme, but do not indicate how often. Many companies report that they follow up risk areas and deviations on a general basis, but do not mention the anti-corruption programme specifically. TI Norway recommends that the companies emphasize that they actively monitor their anti-corruption programmes in a systematic manner.

Only 15 companies show that they have a clear requirement that the ethical guidelines and anti-corruption policy also apply to suppliers. Several companies mention that their own guidelines can apply to suppliers “by agreement”. TI Norway wishes a more committing practice on this matter.

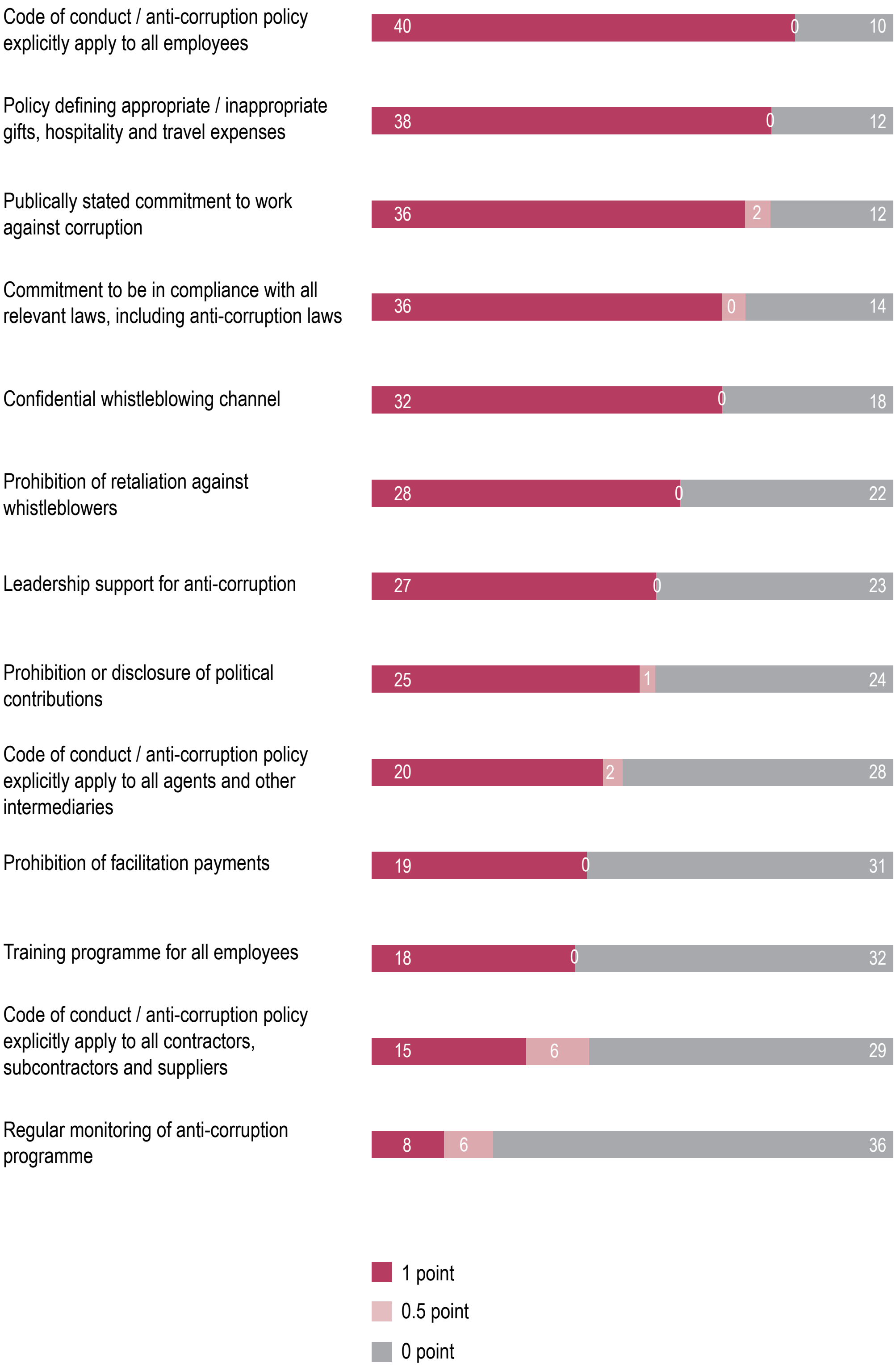
Only 20 companies report that their anti-corruption policy fully applies for their agents and intermediaries. Use of agents represents a great risk of corruption. Many major corruption cases have been related to the use of agents.

18 companies do not report whether they have a whistleblowing channel and 22 companies do not mention anything about prohibiting retaliation against whistleblowers. This is required by the Working Environment Act for operations in Norway. The act does not apply for the companies’ operations outside Norway. TI encourages Norwegian companies to practice the same standard of whistleblowing channels and protection of whistleblowers abroad as for their Norwegian operations.

18 Refer to Annex 5

Diagram 3

Results per question in the dimension transparency of the company's anti-corruption programme



Box 2 shows that many of the companies in the study have operations in countries where corruption is a large problem. Transparency of anti-corruption programmes is important, so that stakeholders and the general public can trust that the companies are focused on corruption-free operations in business environments with high corruption risk.

BOX 2: COMPANY OPERATIONS IN COUNTRIES WITH A HIGH CORRUPTION RISK

Transparency International regularly publishes a global corruption index named Corruption Perceptions Index (CPI). The latest index is from 2012 and includes 176 countries.

The following table shows countries in the worst half of the CPI list, where there are most companies present among those covered by the study:

Country	**Number of companies**	**CPI (2012) ranking**
India	17	94
Russia	17	133
Mexico	14	105
Indonesia	12	118
Egypt	9	118
Philippines	9	105
Nigeria	9	139
Argentina	8	102
Thailand	8	88
Vietnam	8	123
Angola	7	157
Greece	7	94
Ukraine	7	144

The companies covered by the study are present in 57 of the 88 countries in the bottom half of the CPI list.

Some companies with a low score on transparency of anti-corruption programmes are present in several countries in the worst half of the CPI list.

In 2009, TI Norway conducted the ”*Survey of preventive measures against corruption in the 25 largest companies listed at the Norwegian stock exchange*”[19]. The purpose was to identify the companies' transparency of their anti-corruption programmes. In the report, results were not connected to specific companies.

The questions in the 2009 survey covered approximately the same as the questions in 2013, but the wording was somewhat different. Market values of the companies have changed and the 25 largest companies listed on the Oslo Stock Exchange are not the same in 2013 as in 2009, but still 18 companies are represented in both surveys. Comparison of results from the two surveys is shown in Box 3. The general impression is that there has been a positive development in transparency of anti-corruption programmes among several large Norwegian listed companies from 2009 to 2013.

BOX 3: COMPARISON WITH THE 2009 SURVEY ON TRANSPARENCY OF ANTI-CORRUPTION PROGRAMMES

The following six questions from 2013 are very close to the questions in the 2009 survey:

1. Publicly stated commitment to anti-corruption
5. Code of conduct/anti-corruption policy applies to agents
8. Policy defining appropriate/inappropriate gifts, hospitality and travel expenses
9. Prohibition of facilitation payments
11. Confidential whistleblowing channel
13. Prohibition against or disclosure of political contributions

The following 18 companies from the 2009 survey were included in the 2013 selection:

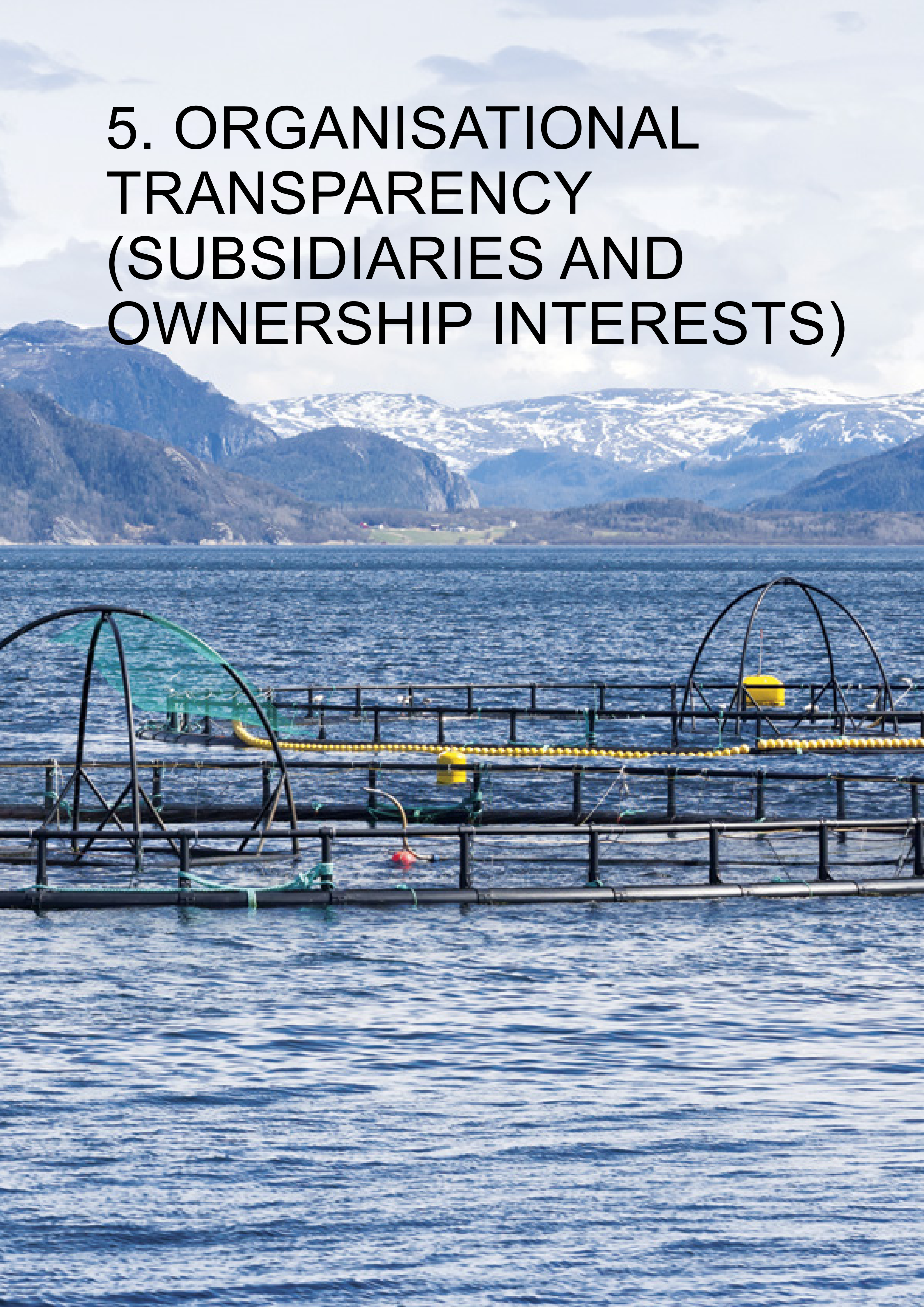
Aker	Fred. Olsen Energy	Schibsted
Aker Solutions	Ganger Rolf	Statoil
Arendals Fossekompani	Kongsberg Gruppen	Telenor
Bonheur	Norsk Hydro	TGS-NOPEC Geophysical Co.
DNB	Orkla	Tomra Systems
DNO International	Petroleum Geo Services	Yara

There has been a positive development for many of these companies from 2009 to 2013, regarding transparency for the topics in the six selected questions. Some main features are:

- Average score for these questions was 70 % in 2013, compared to 39 % in 2009.
- The improvement in score was greatest for question 1 and question 9.
- Aker, Aker Solutions, DNO International, Fred. Olsen Energy and Schibsted had more than 50 percentage points improvement.
- The companies that achieved more than 80 % score in both surveys were Kongsberg Gruppen, Norsk Hydro, Petroleum Geo Services and Statoil.
- The companies with 0 % score in both surveys were Arendals Fossekompani, Bonheur and Ganger Rolf.

19 http://www.transparency.no/kunnskapssenter/2009/10/04/korrupsjonsforebyggende-tiltak-i-norges-25-storste-selskaper/

5. ORGANISATIONAL TRANSPARENCY (SUBSIDIARIES AND OWNERSHIP INTERESTS)



100 %

HIGHEST PERFORMING:
Ekornes

67 %

AVERAGE

0 %

WORST PERFORMING:
Royal Caribbean Cruises

5. ORGANISATIONAL TRANSPARENCY (SUBSIDIARIES AND OWNERSHIP INTERESTS)

Transparent reporting of subsidiaries and ownership interests is particularly important in the case of companies with international operations through a network of subsidiaries, associated companies, joint ventures and other holdings incorporated in different jurisdictions. The public should have access to information about which parent company that has interests in various businesses and thus are responsible for these businesses operating corruption-free. The public should have the opportunity to get a picture of controlling interest and responsibilities between companies, and of cash flows between companies and authorities and intra-group transfers. This is only possible if corporate networks are disclosed.

The level of public access of the companies' ownership interests is assessed in this part of the survey. The questions cover names, ownership percentage, country of incorporation and country/-ies of operations for subsidiaries, associated companies, joint ventures and other holdings accounted for in the company's books and records by using the equity method[20].

BOX 4: COUNTRY OF INCORPORATION VS. COUNTRY OF OPERATIONS

Country of incorporation refers to the jurisdiction in which the company is established. 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). A company's head office can be located in the country of incorporation, in the country where the company has the majority of its operations, or in another country.

Sometimes the country of incorporation and operations are the same, sometimes they are different. The latter applies particularly in cases where a company is incorporated in so-called tax havens, such as Bermuda, Cayman Islands, Cyprus, Liberia, London (UK) and Luxembourg.

TI Norway recommends that Norwegian companies publish both country of incorporation and country/-ies of operations for all subsidiaries, associated companies, joint ventures and other holdings. Such information is important for several stakeholders, for example investors and citizens in all affected countries, in order to get a picture of the type and extent of the company's activity.

20 Refer to Annex 3

Local stakeholders need to know which companies are operating in their territories, bidding for government licenses or contracts, or have applied for or obtained favourable tax treatment. Furthermore, they need to know which international corporate networks these companies belong to, the ownership structure, and how they are related to other companies operation in the same countries. Disclosure of corporate holdings also shines a light on corporate practice when it comes to such issues as intra-group pricing, transfer payments and government payments (taxes), and contributes to transparency in general. The need for transparency is especially acute in the developing world, where openness may not be common practice neither in the public nor in the private sector.

Diagram 4 shows the companies' results for the questions in the dimension "Organisational transparency". The list is sorted by the highest score on the top and the lowest score at the bottom. Results sorted by company size are shown in Annex 5.

Average result for organisational transparency was 67 %. Ekornes achieved 100 % and Arendals Fossekompani achieved 81 %. These were two of the few companies that provided information on countries of operations for their subsidiaries. 32 of the companies achieved 75 %. The relatively good results in this part of the study should be viewed in the context of requirements that are fairly easy to fulfil. The companies are only required to inform about *material* holdings (see Box 5 for more information). Because materiality can prove to be a significant limiting factor, TI Norway encourages Norwegian companies to publicly disclose exhaustive lists of their holdings, regardless of *materiality*. Such lists should be readily accessible on the company websites.

The global survey has excluded question 17 and 21[21] from the final score due to irregularities in the data collection. These are questions for which both Norwegian and multinational companies generally score low[22].

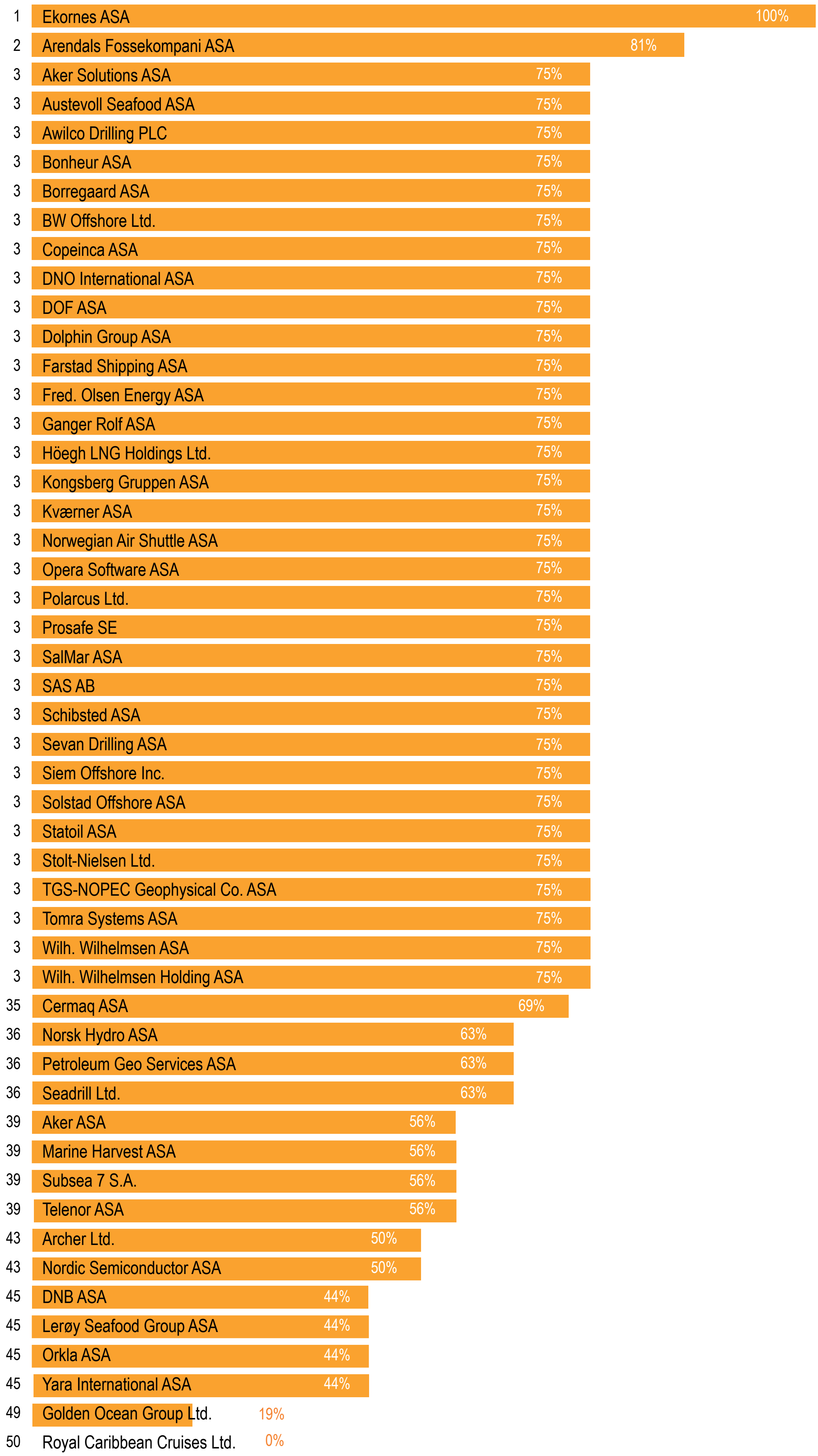
Most companies disclose information on *material* consolidated subsidiaries and ownership percentage in those. The companies score the worst on question 17 and 21 about countries of operations for material subsidiaries and holdings. On these questions, respectively 47 and 36 of the companies achieve zero points.

There is no apparent correlation between high/low score and company size in this part of the survey.

21 The complete set of questions is shown in Annex 2
22 Statoil, which is covered by both the global and the Norwegian survey, is a good example on how the exclusion of the questions affects the score. Statoil achieved 100 % in this part in the global survey and 75 % in the Norwegian survey. The difference is only related to the two questions not being included in the scoring for the global survey.

Diagram 4

Results for organisational transparency



BOX 5: MATERIALITY

- For “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, *materiality* is defined as follows under IFRS[23]:

  – ”Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor”.

- Furthermore, the Norwegian Accounting Act states the following in § 7-1 (3):

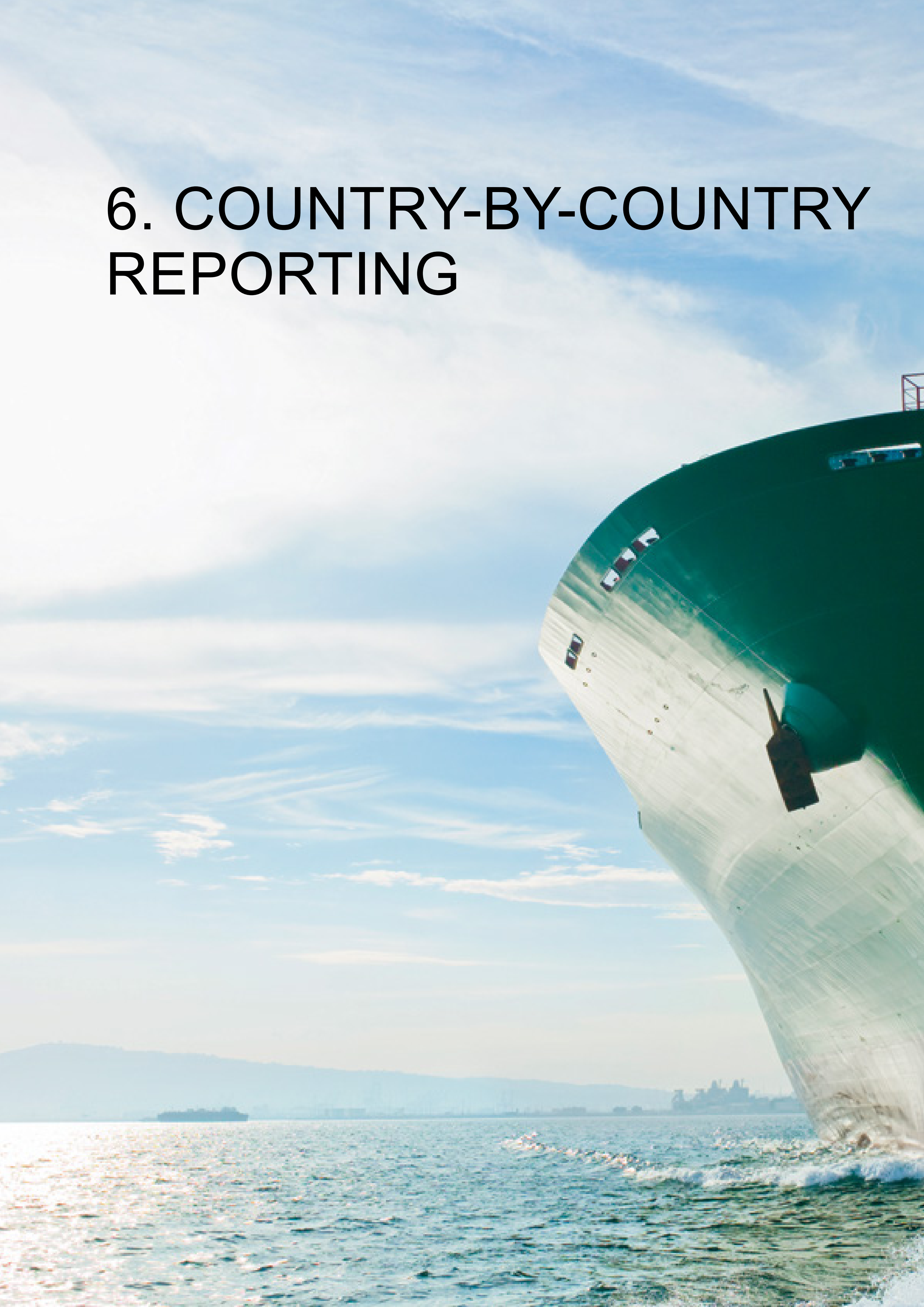
  – ”Information may be omitted if not required to assess the financial position and results of the enterprise or the group”.

- The list of *material* holdings can be surprisingly short due to the application of the materiality rules. If a subsidiary, associated company, joint venture or other holding individually or collectively is immaterial for the economic decisions that users make on the basis of the financial statements, a company with many such holdings having operations in different countries could end up only listing a few of these. The more holdings a company has, the less likely it is that any one of them will be considered *material*.

- The holdings most likely to be non-material and therefore omitted are those in developing countries and so-called tax havens. These are exactly the holdings that companies should disclose, because they are the ones for which information is otherwise unavailable.

23 International Financial Reporting Standards

6. COUNTRY-BY-COUNTRY REPORTING



66 %

HIGHEST PERFORMING:
Statoil

8 %

AVERAGE

0 %

WORST PERFORMING:
26 companies

6. COUNTRY-BY-COUNTRY REPORTING

The last part of the survey evaluates the companies' reporting for each country where they operate. The degree of transparency is assessed for financial reporting of revenues, capital expenditure, income before tax, income tax and community contributions. Country-by-country financial reporting limits the opportunities for corruption.

Citizens must have adequate information about the activities of companies operating in their territory. This is especially important in developing countries. The businesses generate revenues locally and so contribute to the public budget through taxation, local salaries and purchase of goods and services. Government contracts may include, for example, tax incentives or tax exemptions. This needs to be transparent to make sure that 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 and taxes such operations generate and what, if any, special arrangements their governments may have entered into with foreign companies.

Many very poor developing countries where companies covered by this study operate are major recipients of international development aid, have huge capital flight, and have serious corruption problems.

An example is Nigeria, which is ranked as no. 139 of 176 countries on Transparency International's Corruption Perceptions Index (CPI 2012), and where nine of the companies covered by the study are present. Nigeria received Norwegian development aid of 54 mill. NOK (approx. 9 mill. USD) in 2012, and has an annual average capital flight estimated to 77 bill. NOK (approx. 13 bill. USD). Many international oil companies have operations in Nigeria. Among those is Statoil that paid 5.4 bill. NOK (900 mill. USD) in taxes to the country in 2012. Statoil is the only one among the nine companies with operations in Nigeria that discloses its tax payments to the country.

Another example is India which is ranked as no. 94 on the CPI index, and where 17 of the companies covered by the study operate. Norwegian development aid to India was 216 mill. NOK (approx. 36 mill. USD) in 2012. Annual average capital flight from India is estimated to 74 bill. NOK (approx. 12 bill. USD)[24]. DNB paid 73 000 NOK (approx. 12 000 USD) in tax to India in 2012. None of the other 16 companies with operations in India disclose their tax payments to the country.

Norwegian companies can through good country-by-country reporting contribute to greater transparency. More openness is required to hold local authorities accountable for public revenues, expenses and cash transfers. Such accountability will contribute in combating corruption.

Companies with international operations normally report to the tax authorities in each country where their subsidiaries are incorporated or doing business. This means that companies with international operations possess financial information internally on a country-by-country basis, but they rarely present this information to the public.

24 NORAD and Global Financial Integrity are sources for development aid and capital flight, respectively. For more information, see:
http://www.norad.no
http://www.gfintegrity.org
http://iff.gfintegrity.org/iff2012/2012report.html

Diagram 5 shows the companies' results for the questions in the dimension "Country-by-country reporting". The list is sorted by the highest score on the top, and the lowest score at the bottom. Results sorted by company size is shown in Annex 5.

Average score for this part of the study is as low as 8 %, and as many as 26 companies score 0 %. Only two companies achieve more than 60 %, and the highest performance is 66 %. Both companies are oil companies (Statoil and DNO International). Telenor achieved 50 %. No companies are close to 100 %, which should be the goal.

The very weak results could have several causes. Country-by-country reporting is not yet adequately regulated. Norwegian legislation and IFRS require segment information in the annual accounts, but there are no requirements about the degree of detail. As a result if this, companies tend to present this information on a regional level, even though they have country-level data available. Regulations requiring country-by-country reporting on a range of subjects are in progress. For example, this is adopted for extractive companies listed on US stock exchanges[25]. Similar regulations are adopted in EU[26] and are pending in Norway[27].

BOX 6: EU REQUIREMENTS AND NORWEGIAN REQUIREMENTS FOR COUNTRY-BY-COUNTRY REPORTING – STATUS AUGUST 2013

EU decided a new directive on country-by-country reporting (CBCR) on 26 June 2013. The directive requires reporting within extractive industries (oil, gas, mining and logging) for large companies (with specified threshold values) and for all companies with listed securities. The directive will apply for Norway through the EEA agreement.

Norwegian regulations for CBCR are under consideration in the Ministry of Finance in 2013. A working group recommends that Norwegian CBCR requirements should be limited to the same industries, company types and sizes as in the EU directive. However, it is suggested that the information to be reported should be more extensive than the requirement in the EU directive.

TI Norway is positive to implementation of CBCR in Norway, and supports the working group's suggestion on requiring more detailed information than what is required in the EU directive. It is TI Norway's opinion that CBCR should be required from all companies, regardless of size or type of business. The suggested limitations will result in CBCR being applicable to very few Norwegian companies. Among the 50 companies included in the survey in this report, only three companies would be covered by the CBCR requirement, and these companies already practice CBCR to a certain extent on a voluntary basis.

Statoil, DNO International and Telenor stand out in a positive way by providing detailed information for all countries they operate in. Statoil and Telenor also inform about community contributions. Statoil is best with a very clear presentation for each country they do business in, and this should be an example to follow for other companies. Still, there is room for improvement to achieve 100 %.

TI Norway encourages Norwegian companies with international operations to significantly improve their country-by-country reporting.

25 http://www.gpo.gov/fdsys/pkg/PLAW-111publ203/pdf/PLAW-111publ203.pdf
26 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:182:0019:0076:EN:PDF
27 http://www.regjeringen.no/nb/dep/fin/dok/hoeringer/hoeringsdok/2013/horing---rapport-om-land-for-land-rappor.html?id=726752

Diagram 5

Results on country-by-country reporting

1	Statoil ASA	66%
2	DNO International ASA	64%
3	Telenor ASA	50%
4	Cermaq ASA	36%
5	Norsk Hydro ASA	34%
6	Golden Ocean Group Ltd.	20%
6	Sevan Drilling ASA	20%
8	DNB ASA	18%
8	Ekornes ASA	18%
8	Seadrill Ltd.	18%
11	Archer Ltd.	14%
12	Farstad Shipping ASA	10%
12	Stolt-Nielsen Ltd.	10%
14	Yara International ASA	8%
15	Orkla ASA	6%
16	Subsea 7 S.A.	5%
17	Fred. Olsen Energy ASA	4%
17	Marine Harvest ASA	4%
19	Bonheur ASA	2%
19	Höegh LNG Holdings Ltd.	2%
19	Opera Software ASA	2%
19	Petroleum Geo Services ASA	2%
19	SAS AB	2%
19	Schibsted ASA	2%
25	Aker ASA	0%
25	Aker Solutions ASA	0%
25	Arendals Fossekompani ASA	0%
25	Austevoll Seafood ASA	0%
25	Awilco Drilling PLC	0%
25	Borregaard ASA	0%
25	BW Offshore Ltd.	0%
25	Copeinca ASA	0%
25	DOF ASA	0%
25	Dolphin Group ASA	0%
25	Ganger Rolf ASA	0%
25	Kongsberg Gruppen ASA	0%
25	Kværner ASA	0%
25	Lerøy Seafood Group ASA	0%
25	Nordic Semiconductor ASA	0%
25	Norwegian Air Shuttle ASA	0%
25	Polarcus Ltd.	0%
25	Prosafe SE	0%
25	Royal Caribbean Cruises Ltd.	0%
25	SalMar ASA	0%
25	Siem Offshore Inc.	0%
25	Solstad Offshore ASA	0%
25	TGS-NOPEC Geophysical Co. ASA	0%
25	Tomra Systems ASA	0%
25	Wilh. Wilhelmsen ASA	0%
25	Wilh. Wilhelmsen Holding ASA	0%

BOX 7: EXAMPLES OF GOOD PRACTICE OF COUNTRY-BY-COUNTRY REPORTING

The survey looks at five areas of country-by-country financial reporting: Revenues, investments, profit before tax, income tax and community contributions.

Statoil
- Score: 66 %.
- 43 countries of operation (including Norway).
- The company discloses a comprehensive country-by-country data table and includes almost all countries in which it operates. The table includes the following financial data: revenues, investments, tax and community contributions.
- In addition to amounts in the table, the company discloses some further information on community contributions for some of the countries.
- Potential for improvement: To include information also for countries with very limited operations, profit before tax and a description of community contributions in all countries where such contributions are given.

DNO International
- Score: 64 %.
- Six countries of operation.
- The company discloses information classified in segments corresponding to the countries where the company has extraction business. The segment note includes the following financial information relevant for the scoring: revenues, investments, profit before tax and income tax.
- Potential for improvement: To include information for countries where there is administration only, and description of community contributions in all countries of operation.

Telenor
- Score: 50 %.
- 11 countries of operation (including Norway).
- The company has published detailed information for each country of operation on their website and in their annual accounts. This includes the following financial information: revenues, investments and community contributions.
- Potential for improvement: To include information on profit before tax, income tax and amount for community contributions for each country of operation.

The remaining companies only disclose information on a limited number of countries, or cover only some of the information that this study asks for. The most common case is that the companies disclose information on revenues, while hardly anyone discloses information on profit before tax or taxes paid in the countries of operations.

While the results for country-by-country reporting for the international business are weak, the reporting on operations in the home countries (countries of incorporation) is considerably better. These scores are not included in the total assessment, because this study focuses on operations abroad. Since the companies have good reporting of operations in their countries of incorporation, the same should be possible for operations abroad.

Shipping companies appear difficult to compare with other companies in the study. This especially applies to country-by-country reporting, where the scoring is based on reporting for countries of operations. For further information about this, see Chapter 7 on industry-specific results.

7. INDUSTRY-SPECIFIC RESULTS

The companies included in the study represent a number of different industries. An overview of applicable industry category for each company is shown in Annex 4. Few industries are represented by a sufficient number of companies, or have sufficient similarities in results, to enable industry-specific conclusions to be drawn. Nevertheless, the oil service, seafood and shipping industries are briefly commented below.

Oil service – 18 companies

The results within oil service vary a lot. The scores for transparency of the company's anti-corruption programme range from 0 % to 96 % with an average of 53 %. Only seven of the companies have a publicly known prohibition of facilitation payments and only eight of the companies show that their own code of conduct and anti-corruption policy also apply to all agents and other intermediaries. Results for organisational information are more equal, varying from 50 % to 75 %. The company with the highest score for country-by-country reporting only achieves 20 %. The average for this industry is 4 %. Except for country-by-country reporting, the group as a whole is approximately on average, or a little above, compared with all companies in the study.

Seafood industry – six companies

There is one company in this industry, Cermaq, which performs well in all three dimensions. Average score for transparency of anti-corruption programme is 48 %, with variation from 8 % to 96 %. As for other companies, the results are more equal for organisational information, with a range between 44 % and 75 %. Within country-by-country reporting, four companies score 0 %, one scores 4 %, and one 36 %. Overall results for the seafood industry is a little below the average for all companies in the study, and would have been even lower if Cermaq had not raised the average.

Shipping – five companies

Shipping companies appear difficult to compare with the other companies in the study. This especially relates to country-by-country reporting, where the scoring is based on reporting for countries of operations.

In the study, countries of operations are defined as “the countries where a company is present either directly or indirectly via consolidated subsidiaries”. Normally, this will be the case if the company is required to report to local tax authorities. The challenge for shipping is to define countries of operations, because the operations of a shipping company hardly can be related to specific countries. Shipping companies operate worldwide, according to where the goods are to be collected or delivered. Also, the companies normally report to the tax authorities in the countries where the ships/owner-companies are registered, and this gives a misleading picture of which countries the company operates in. Thus, applying the definition of country of operations for shipping companies is a methodical problem in the study, and country-by-country reporting for shipping companies cannot easily be compared with the other companies in the study. This is also very evident in the reporting, where the shipping companies rarely disclose country-by-country information. In cases where geographical information is disclosed, it is instead based on regions. Shipping companies should rather be measured on disclosure of expenses, taxes and fees paid in countries of harbour calls.

The methodical problem does not affect any of the results in the other two parts of the study, where country of operation is irrelevant for data collection and scoring.

Shipping has, like the other industries, large variations in results, but as a group shipping performs significantly weaker than the average for all companies in the study. The group has a special potential for improvement within transparency of anti-corruption programme, where the score is 36 % against the average of 54 %. For example, none of the companies in the industry has publicly stated prohibition of facilitation payments and only one company expresses that the code of conduct and anti-corruption policy also apply to all agents and other intermediaries. For organisational information, the industry as a whole scores 49 % compared to an average of 67 %.

8. RECOMMENDATIONS

Based on the findings in this study, TI Norway recommends the following measures.

To Norwegian companies with international operations:

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

To make information from a company easily available for all stakeholders, all information that the company wants to publish should be web-based. For the benefit of stakeholders outside Norway, especially in the countries where the company operates, the information should be available in at least one international language. Preferably this should be English, unless there are strong reasons for another choice. Other relevant languages could be used in addition.

Most large companies have already adopted publicly available websites as their most important tools of communication. However, some still reserve a great deal of corporate information for their registered investors, employees and selected stakeholders. TI Norway encourages the companies to publish as much information as possible on the company's publicly available website. This would offer numerous benefits: A well-founded reputation of transparency will attract employees and investors with high ethical standards, and comprehensive public reporting will enable and simplify the various stakeholders' access to information, and improve the understanding of the companies' businesses.

- **Companies should publish detailed information on their anti-corruption programmes. The companies should improve transparency of anti-corruption programmes by extending the information to cover all topics included in the study.**

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. Many good results indicate that several companies have established a good practice for transparency of their anti-corruption programmes. Still, many companies have shortcomings in this area. Some companies explain that they have more complete programmes internally, but do not report externally on all details. This may be correct for some companies, but it is hard to find good reasons why a company cannot be open about all elements of the programme, as described in questions 1-13 of the study. Anti-corruption commitments for agents and suppliers, prohibition of facilitation payments, training programme and monitoring of the anti-corruption programme are topics with particularly low scores for many of the companies in the study.

- **Companies should publish complete lists of their subsidiaries, associated companies, joint ventures and other ownership interests.**

Many companies limit their transparency to disclosure of *material* subsidiaries. Some companies also publish lists of *material* associated companies and joint ventures, but only a small number of companies publish information on all holdings. The materiality criteria can result in lack of transparency for many holdings that are important for understanding and evaluating issues such as a company's tax payments and anti-corruption compliance. For example, a related entity can have operations of major importance for the local population in a developing country, even if the scale of operations does not meet the materiality criteria for a large foreign parent company. The public should have access to information about which parent companies have interests in various businesses and thus are responsible for these businesses operating corruption-free.

Lists of holdings do not have to be included in annual reports, but should be accessible from corporate websites. The information should include company name/business name, percentage ownership, country of incorporation, countries of operations and what type of business the company conducts.

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

Individual financial reporting for each country of operations represents a minimal additional effort for the companies, as the information already is available to them internally. On the other hand, this information is of high importance for the countries concerned. Very few companies report country-by-country and the companies that do, report incompletely.

Many companies declare their commitments to support local communities where they operate, but they limit access to evaluate the company's practice in this area by failing to publish adequate financial information for their local operations. Transparency on country-level about revenues, taxes and community contributions are necessary preconditions to enable evaluation of a company's influence on local economic development, limits the opportunities for corruption, and increases the confidence about the business being corruption-free.

- **Shipping companies, which do not have countries of operations like land-based businesses, should report financial information for countries of harbour calls.**

Countries of operations are the countries where a company is either present directly or through consolidated subsidiaries. It is difficult to define countries of operations for the shipping industry, because the operations of a shipping company hardly can be related to specific countries. Shipping companies operate worldwide, according to where the goods are to be collected or delivered. Also, the companies normally report to the tax authorities in the countries where the ships/owner-companies are incorporated.
TI Norway recommends that the shipping companies in addition disclose information about expenses, taxes, and fees paid in countries of harbour calls.

To the Norwegian government:

- **The Norwegian government should require that all Norwegian companies inform about all subsidiaries, associated companies, joint ventures and other ownership interests. This should also to a greater extent be regulated by law.**

Laws and regulations are based on the concept of *materiality* when it comes to transparency of ownership interests. This standard often results in very limited transparency, and can in the worst case cause omission of most of a parent company's holdings.

The public should have access to information about which parent companies that have interests in various businesses and thus are responsible for these businesses operating corruption-free. An exhaustive list of related entities should be publicly available for all Norwegian companies, preferably on their corporate websites. The list should include company name/business name, percentage ownership in the entity, country of incorporation and country/-ies of operation. TI Norway encourages the Norwegian government to impose higher standards of transparency by requiring publication of detailed information on all ownership interests of companies.

- **The Norwegian government should require that all Norwegian companies with international operations shall report country-by-country financial information. This should also to a greater extent be regulated by law.**

Country-by-country financial reporting contributes to accountability of companies and authorities, to increased credibility, and to limit the opportunities for corruption.

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 US stock exchanges to report their governmental payments on a country-by-country basis.

In June 2013, EU adopted a new directive on country-by-country reporting for extractive companies, including the logging industry. This is an important development for EU and Norway. The Ministry of Finance is in 2013 working on how the directive, which will apply for Norway through the EEA agreement, should be adopted into Norwegian law and regulations, and whether the Norwegian requirements should be more extensive, based on the consideration that the EU directive is a minimum requirement. TI Norway recommends that Norwegian country-by-country reporting requirements should include more information than what is required by the EU directive, and that it should apply to all companies with international operations regardless of size, type of business or type of ownership.

To investors and analysts:

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

Investors should demand that companies provide the information they need to make investment decisions that are consistent with their ethical standards and strategies. It is in the interest of the investors to evaluate all their investment risks. Transparent anti-corruption programmes, organisational structure where each subsidiary, associated company and joint venture is identified, together with country-by-country reporting, are necessary to understand the company and to identify significant risks, hereunder economic, political and reputational. Lack of transparency within the areas mentioned is a significant risk factor which in itself should be carefully considered by investors.

- **Equity analysts, rating agencies and others who prepare indexes of companies' social responsibility should have evaluation criteria that capture the companies' transparency of anti-corruption programmes, organisational information and country-by-country financial information.**

TI Norway recommend that all rating agencies, equity analysts, corporate responsibility analysts and all institutions that publish indexes of corporate responsibility include transparency of anti-corruption programmes, organisational structure, and country-by-country financial information in their evaluation models. Transparency lowers the risk of corruption. Company ratings that fail to account for good practice in the three dimensions of transparency covered in this report, are at the best incomplete and at worst unreliable.

To civil society organisations:

- **Civil society organisations should get involved in the monitoring of foreign companies operating in the organisation's home country, to promote greater transparency.**

TI Norway encourages civil society organisations in all countries to monitor transparency in multinational businesses, and influence the companies to practice more transparency. Many Norwegian companies have operations in developing countries and in countries with major corruption challenges, and they are bound to follow Norwegian legislation wherever they operate. Civil society organisations should encourage companies with international operations to apply the ethical standard expected in Norway also in a global context. They should also influence the companies to practice the same transparency for anti-corruption programmes, organisational structure and country-by-country financial information for all countries of operations, as for their domestic business.

- **Civil society organisations should influence the authorities to demand greater transparency from companies.**

TI Norway encourages civil society organisations to focus on advocacy efforts for achieving more transparency in international business. Such advocacy should target governments and regulators both in Norway and in the companies' countries of incorporation and countries of operations. The results of this study show that the companies' voluntary actions are not sufficient to achieve the necessary transparency, and that this must be regulated to a greater extent. This is particularly important for developing countries, in order to combat corruption and illegal money transactions.

- **Civil society organisations should praise and criticise politicians, ministries and public service entities depending in their attitudes and practice to promote transparency among Norwegian companies.**

It is important for the society's democratic processes that civil society organisations, possibly in cooperation with media, make the public aware of which politicians, government officials and public service entities that promote transparency among Norwegian companies, and that take action and achieve results in this area. It is also important to point out who appears to be less concerned about this, or possibly work against it.

ANNEX 1: METHODOLOGY

Company selection criteria

The selection of companies was based on the Oslo Stock Exchange list of companies on 4 March 2013. The largest companies were selected based on market value. Companies with no significant international operations outside the Nordic countries were excluded. Companies with international operations consisting only of sales of goods from Norway were also left out. In total, 12 companies[28] were excluded. In addition, two of the originally selected companies were de-listed during spring 2013[29], and were replaced by the next companies on the list[30]. The final list of the 50 selected companies is shown in Annex 4.

The selection was not made with a view towards reaching conclusions for categories of industries or geographic areas. However, to facilitate detection of any common features for industry categories, the companies in Annex 4 are classified by business segments as defined by Dow Jones, with some adjustments.

Initial communication with the companies

The companies covered by the study received an information letter in mid April 2013. The letter informed about the background for and purpose of the study, period of data collection, and that the companies would be given the opportunity to review and comment on preliminary results. The questions of the study were included in the letter.

Data collection

All data were collected through a desk study in the period from April to June 2013. The sources included links and documentation available via the companies' websites. Data for each of the 26 questions were recorded and the exact sources were documented[31]. All annual accounts used as sources relate to the 2012 accounting year.

Completeness and accuracy of collected information was not verified, but the companies had the opportunity to verify this themselves. In other words, if a company has published what it refers to as "a full list of its fully consolidated subsidiaries", this has been accepted as complete and the score was assigned accordingly. It is beyond the scope of this study to assess the company's practice. Rather, the focus is on the level of transparency of the company's anti-corruption work, organisational structure and country-by-country financial information.

28 AF Gruppen, Algeta, Atea, Bakkafrost, Det norske oljeselskap, Gjensidige Forsikring, Hafslund, Norwegian Property, Olav Thon Eiendomsselskap, Sparebank 1 SR Bank, Storebrand, Veidekke
29 Dockwise and Rieber & Søn
30 Borregaard and Dolphin Group
31 Company documents with page references, and web-pages with downloading date

Data sharing and reviewing

The preliminary results were sent to the companies on 5 June 2013. Each company was given the opportunity to review its own data, to provide feedback, and to propose corrections. The deadline for feedback was 19 July 2013. 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 had the opportunity to review the collected data in order to verify completeness and accuracy. Of the 50 companies, 22 responded with feedback[32]. All requests for corrections in the material and scoring were carefully reviewed. Whenever necessary, additional publicly available information and documentation were requested and obtained from the companies. This process resulted in adjustments of data sources and scoring for several companies. Corrections were made for one or more of the following reasons:

- The publication of new corporate documents or policies after the period of preliminary data collection, but within the deadline of 19 July 2013.
- Ongoing changes or updates of certain policies (online or previously published documents) within the deadline of 19 July 2013.
- Identification of documents or sources that had been missed, and therefore omitted, in the initial review.
- Clarification of specific terminology, especially in the part concerning subsidiaries.

Scoring system

The questions in the study are previously used in the global study *Transparency in Corporate Reporting: Assessing the World's Largest Companies in 2012*[33]. The questions cover a broad spectrum of issues influencing corporate transparency, and focuses as already mentioned on three dimensions:

1. Transparency of the company's anti-corruption programme.
2. Organisational transparency (subsidiaries and ownership interests)
3. Country-by-country reporting of financial information.

The first dimension is derived from the *Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption*[34]. This part includes 13 questions; each of them is given the score of 0, 0.5 or 1. The maximum score is 13 points. The resulting score is expressed as percentage of the maximum possible score (between 0 and 100 %) for each company. Maximum score per question is 1, which gives a maximum score of 13 in this dimension, expressed as 100 %. A score of 50 % means that the company achieved 6.5 points.

32 Aker, Aker Solutions, Borregaard, Cermaq, DNB, DNO International, Ekornes, Farstad Shipping, Kongsberg Gruppen, Marine Harvest, Norsk Hydro, Opera Software, Orkla, Petroleum Geo Services, Prosafe, Schibsted, Statoil, Telenor, Tomra Systems, Wilh. Wilhelmsen, Wilh. Wilhelmsen Holding, Yara International.
33 http://issuu.com/transparencyinternational/docs/2012_transparencyincorporatereporting_en
34 http://www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf

The second dimension has eight questions about material subsidiaries, associated companies, joint ventures and other holdings accounted for by use of the equity method. The companies' information about company names, percentages owned by the parent company, countries of incorporation and countries of operations were reviewed. Each question was awarded 0, 0.5 or 1 point. Maximum score for organisational transparency is eight points. Companies that do not have any associated companies, joint ventures and other holdings accounted for by use of the equity method, were evaluated on their disclosure for subsidiaries only (maximum four points). The result of this part is expressed as a percentage of maximum score per company, either eight or four.

The third dimension, country-by-country reporting, includes five questions. The full set of five questions is applied to each country of operations. Four of them concern basic elements of the financial accounts, and the final question is about community contributions. The maximum score per country is five. Countries of operations for shipping companies are defined as the country of tax payment. As described previously, the definition of country of operations in the methodology is not suitable for shipping companies when it comes to country-by-country reporting.

All countries of operations are given points per question and a total score for each country is calculated by summing up these points. For each company, the individual country scores are aggregated and are then divided by the number of countries. In this way, an average score per country is achieved. The final result per country is expressed as a percentage of the maximum possible score that the company can achieve based on number of countries of operations (five points per country).

For example, a company operates in ten countries and discloses its revenues for six of them. It achieves one point for each of the six countries for question no. 22, which is the question relating to revenue reporting. The company does not disclose any other relevant country-level information so it receives zero score for questions 23, 24, 25 and 26. In total, the company's score is therefore six. The best possible score for this company is 50 (five questions per country times 10 countries). The actual score of six is 12 % of the best possible score of 50. Consequently, this company's result for country-by-country reporting is 12 %.

ANNEX 2: QUESTIONS

I. Transparency of the company's anti-corruption programme

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 (subsidiaries and ownership interests)

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[35]?

18. Does the company disclose the full list of its non-fully consolidated material holdings (associated companies, joint ventures and holdings accounted for by using the equity method)?

19. Does the company disclose percentages owned in its non-fully consolidated material holdings (associated companies, joint ventures and holdings accounted for by using the equity method)?

20. Does the company disclose countries of incorporation of its non-fully consolidated material holdings (associated companies, joint ventures and holdings accounted for by using the equity method)?

21. Does the company disclose countries of operations of its non-fully consolidated material holdings (associated companies, joint ventures and holdings accounted for by using the equity method)[36]?

III. Country-by-country reporting

In the 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?

35 The result of the question is omitted from the global study
36 The result of the question is omitted from the global study

ANNEX 3: TERMINOLOGY EXPLANATIONS

Subsidiary

A subsidiary is a company which is controlled by another company. The company with controlling influence is called a parent company. The parent company can have several subsidiaries, and together the companies form a group. A company is considered to control another company when it through ownership or agreement has more than half of the voting power in the other company. Control normally exists when the parent company directly or indirectly owns 50 % or more of the shares in the company, and is capable of exercising de facto control of the company. Control can also exist in cases where the company does not have a majority of the voting power. In such circumstances, specific assessments of all relevant conditions must be made. Control can exist in cases where the company has power to govern the financial and operating policies in the company. This power can be a result of the right to appoint or remove the majority of the members of the board of directors or equivalent governing body, or that the company owns a large non-controlling part and no other owner or owner group has control.

Joint venture

A joint venture is an economic activity regulated through contractual agreement between two or more parties, so that they have joint control of the venture's activities. Joint control exists when significant strategic, financial and operational decisions for the activity require unanimous agreement of the parties. None of the parties can alone have determining influence in such matters. Decisions in matters of less importance are made by voting rules agreed by the parties.

Associated companies

An associated company is an entity over which the investor has significant influence, but which is not is a subsidiary or a joint venture. Significant influence is presumed to exist when the investor holds between 20 % and 50 % of the voting power in the company. Significant influence is also presumed to exist when two or more companies in the the group have such influence over another company. Significant influence can also occur if the investor has less than 20 % of the voting power. This has to be assessed individually in each single case.

Consolidation

Company groups issue consolidated financial statements. The consolidated financial statement presents the financial positions and results of operations of the parent company and its subsidiaries as if they were a single entity. Consolidation is the process where the parent company's and its subsidiaries' financial statements are merged into a single financial statement for the group. Consolidation shall in general, with certain exceptions, be performed for all groups.

Equity method

By using the equity method, the investment is valued as the investor's share of the equity, and the share of the profit/loss is recognized in the investor's income statement. The investment is recognized at cost at the time of acquisition, and subsequently the investor's share of profit/loss less dividend is added to the investment in the balance sheet. When calculating the share of profit/loss, adjustments are made for any excess value or less value at the time of acquisition and internal gains/losses.

Community contribution

Community contributions are made by companies on voluntary basis. The contribution can be given in the form of money, goods/services, or a combination. Usually the objective is to contribute to sustainable development, to benefit both the local community and the company. Examples of areas where community contributions are often used include education, health services, environmental protection, and development of local suppliers.

ANNEX 4:
LIST OF COMPANIES – SORTED BY SIZE

Company – sorted by size	Company	Headquarter	Country of incorporation	Industry*	Market value (Million NOK)**
1	Statoil ASA	Norway	Norway	Oil & Gas	455 020
2	Telenor ASA	Norway	Norway	Consumer goods and services	192 810
3	DNB ASA	Norway	Norway	Finance	139 262
4	Seadrill Ltd.	Bermuda	Bermuda	Oil service	98 027
5	Yara International ASA	Norway	Norway	Chemicals	77 986
6	Norsk Hydro ASA	Norway	Norway	Basic Materials	52 553
7	Orkla ASA	Norway	Norway	Consumer goods and services	47 880
8	Subsea 7 S.A.	United Kingdom	Luxembourg	Oil service	47 738
9	Royal Caribbean Cruises Ltd.	United States	Liberia	Shipping	42 178
10	Aker Solutions ASA	Norway	Norway	Oil service	30 989
11	Schibsted ASA	Norway	Norway	Consumer goods and services	26 299
12	Marine Harvest ASA	Norway	Norway	Seafood industry	22 659
13	TGS-NOPEC Geophysical Company ASA	Norway	Norway	Oil service	22 469
14	Petroleum Geo Services ASA	Norway	Norway	Oil service	19 711
15	Fred. Olsen Energy ASA	Norway	Norway	Oil service	16 674
16	Aker ASA	Norway	Norway	Multi-industry	15 886
17	Kongsberg Gruppen ASA	Norway	Norway	Multi-industry	14 040
18	Prosafe SE	Cyprus	Cyprus	Oil service	13 267
19	Wilh. Wilhelmsen ASA	Norway	Norway	Shipping	11 055
20	DNO International ASA	Norway	Norway	Oil & Gas	10 570
21	Lerøy Seafood Group ASA	Norway	Norway	Seafood industry	9 606
22	Cermaq ASA	Norway	Norway	Seafood industry	9 111
23	Tomra Systems ASA	Norway	Norway	Industrials	8 215
24	Wilh. Wilhelmsen Holding ASA	Norway	Norway	Multi-industry	8 019
25	Norwegian Air Shuttle ASA	Norway	Norway	Transportation	7 862

Company – sorted by size	Company	Headquarter	Country of incorporation	Industry*	Market value (Million NOK)**
26	Stolt-Nielsen Ltd.	United Kingdom	Bermuda	Shipping	7 440
27	Austevoll Seafood ASA	Norway	Norway	Seafood industry	7 298
28	SalMar ASA	Norway	Norway	Seafood industry	6 628
29	Bonheur ASA	Norway	Norway	Multi-industry	5 751
30	Farstad Shipping ASA	Norway	Norway	Oil service	5 285
31	Ganger Rolf ASA	Norway	Norway	Multi-industry	4 520
32	BW Offshore Ltd.	Norway/ Singapore	Bermuda	Oil service	4 314
33	Opera Software ASA	Norway	Norway	Technology	4 305
34	SAS AB	Sweden	Sweden	Transportation	4 145
35	Solstad Offshore ASA	Norway	Norway	Oil service	4 062
36	Arendals Fossekompani ASA	Norway	Norway	Multi-industry	3 761
37	Ekornes ASA	Norway	Norway	Consumer goods and services	3 683
38	Kværner ASA	Norway	Norway	Oil service	3 551
39	Höegh LNG Holdings Ltd.	Norway	Bermuda	Shipping	3 459
40	Archer Ltd.	United Kingdom	Bermuda	Oil service	3 423
41	Copeinca ASA	Norway	Norway	Seafood industry	3 393
42	Polarcus Ltd.	UAE	Cayman Islands	Oil service	3 368
43	Siem Offshore Inc.	Norway	Cayman Islands	Oil service	3 128
44	DOF ASA	Norway	Norway	Oil service	3 065
45	Golden Ocean Group Ltd.	Norway	Bermuda	Shipping	2 612
46	Nordic Semiconductor ASA	Norway	Norway	Technology	2 582
47	Awilco Drilling PLC	United Kingdom	United Kingdom	Oil service	2 493
48	Sevan Drilling ASA	Norway	Norway	Oil service	2 478
49	Dolphin Group ASA	Norway	Norway	Oil service	2 439
50	Borregaard ASA	Norway	Norway	Chemicals	2 390

* Classification by business segments as defined by Dow Jones, with some adjustments
** Market value Oslo Stock Exchange/Axess per 4 March 2013

ANNEX 5: RESULTS SUMMARY – SORTED BY COMPANY SIZE

Company – sorted by size	Score rank	Company	Total score	ACP (%)	OT (%)	CBC (%)
1	1	Statoil ASA	8,0	100	75	66
2	2	Telenor ASA	6,9	100	56	50
3	16	DNB ASA	5,0	88	44	18
4	11	Seadrill Ltd.	5,2	77	63	18
5	19	Yara Interational ASA	4,8	92	44	8
6	5	Norsk Hydro ASA	6,4	96	63	34
7	24	Orkla ASA	4,5	85	44	6
8	30	Subsea 7 SA	4,2	65	56	5
9	50	Royal Caribbean Cruises Ltd.	1,4	42	0	0
10	6	Aker Solutions ASA	5,7	96	75	0
11	17	Schibsted ASA	4,9	69	75	2
12	27	Marine Harvest ASA	4,3	69	56	4
13	27	TGS-NOPEC Geophysical Co. ASA	4,3	54	75	0
14	11	Petroleum Geo Services ASA	5,2	92	63	2
15	34	Fred. Olsen Energy ASA	3,7	31	75	4
16	25	Aker ASA	4,4	77	56	0
17	6	Kongsberg Gruppen ASA	5,7	96	75	0
18	13	Prosafe SE	5,1	77	75	0
19	27	Wilh. Wilhelmsen ASA	4,3	54	75	0
20	3	DNO International ASA	6,7	62	75	64
21	48	Lerøy Seafood Group ASA	1,7	8	44	0
22	3	Cermaq ASA	6,7	96	69	36
23	8	Tomra Systems ASA	5,3	85	75	0
24	30	Wilh. Wilhelmsen Holding ASA	4,2	50	75	0
25	37	Norwegian Air Shuttle ASA	3,3	23	75	0
26	37	Stolt-Nielsen Ltd.	3,3	15	75	10
27	41	Austevoll Seafood ASA	2,8	8	75	0
28	32	SalMar ASA	4,0	46	75	0
29	44	Bonheur ASA	2,6	0	75	2
30	40	Farstad Shipping ASA	3,1	8	75	10

Company – sorted by size	Score rank	Company	Total score	ACP (%)	OT (%)	CBC (%)
31	45	Ganger Rolf ASA	2,5	0	75	0
32	19	BW Offshore Ltd.	4,8	69	75	0
33	13	Opera Software ASA	5,1	77	75	2
34	17	SAS AB	4,9	69	75	2
35	45	Solstad Offshore ASA	2,5	0	75	0
36	43	Arendals Fossekompani ASA	2,7	0	81	0
37	8	Ekornes ASA	5,3	42	100	18
38	8	Kværner ASA	5,3	85	75	0
39	37	Høegh LNG Holdings Ltd.	3,3	23	75	2
40	25	Archer Ltd.	4,4	69	50	14
41	21	Copeinca ASA	4,6	62	75	0
42	13	Polarcus Ltd.	5,1	77	75	0
43	45	Siem Offshore Inc.	2,5	0	75	0
44	36	DOF ASA	3,5	31	75	0
45	41	Golden Ocean Group Ltd.	2,8	46	19	20
46	48	Nordic Semiconductor ASA	1,7	0	50	0
47	21	Awilco Drilling PLC	4,6	62	75	0
48	34	Sevan Drilling ASA	3,7	15	75	20
49	32	Dolphin Group ASA	4,0	46	75	0
50	21	Borregaard ASA	4,6	62	75	0

The study is based on the methodology of the report *”Transparency in Corporate Reporting: Assessing the World’s Largest Companies”*, first published by the Transparency International Secretariat in July 2012. The next edition of this global report will be published in spring 2014, and further editions may follow. While the 2012 report was based on public information available in English only, the 2014 report will take into account public information on anti-corruption reporting by multinational companies in the six official UN languages: Arabic, Chinese, English, French, Russian and Spanish. The Norwegian report is based on information publicly available in Norwegian and English. This may lead to deviations in company results between the global reports and the Norwegian report where companies are covered in both reports and publish more or less information in one of the languages concerned. In addition, possible future changes to the methodology may lead to deviations in results.

The findings in this report are collected from publicly available sources, and have been submitted to the companies for comments. The information, conclusion and recommendations in the report are provided with reservations against any errors or omissions. TI Norway and EY (Ernst & Young AS) are not responsible for any loss or damage claimed to be caused by information included or missing in this report.

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