TRANSPARENCY INTERNATIONAL Belgium

CORRUPTION RUINS LIVES. FIGHT BACK.

TRANSPARENCY IN CORPORATE REPORTING:

ASSESSING 10 LISTED BELGIAN COMPANIES

TRAC 2 BELGIUM

December 2012

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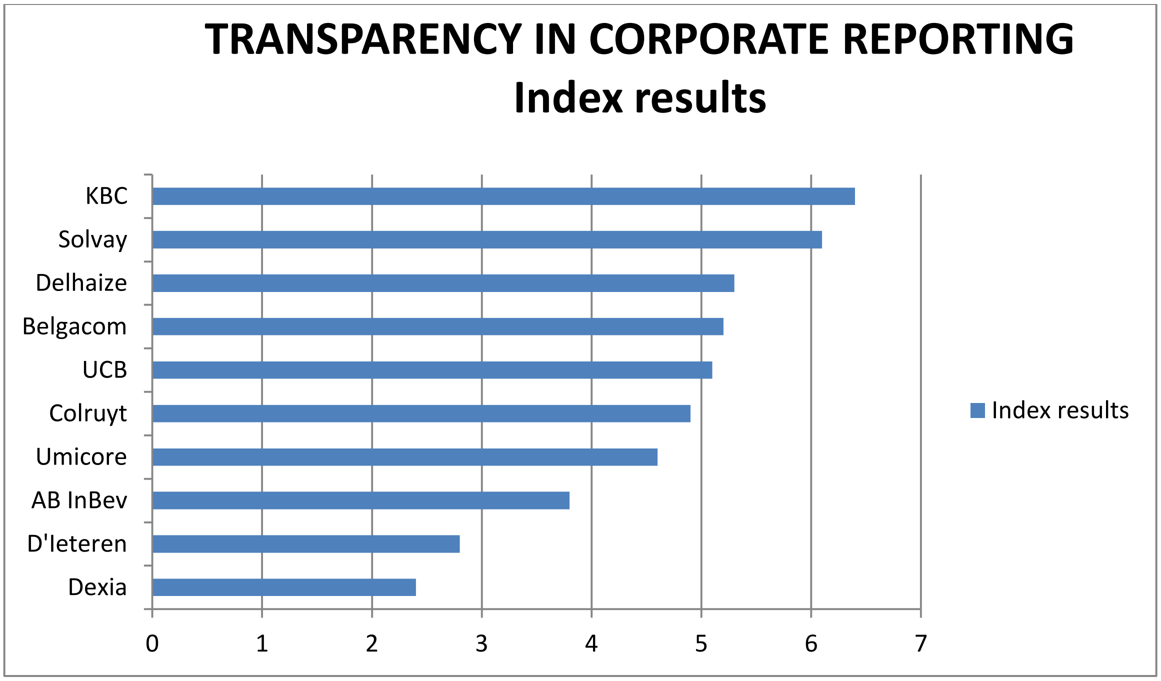


INDEX RESULTS FOR 10 BELGIAN COMPANIES

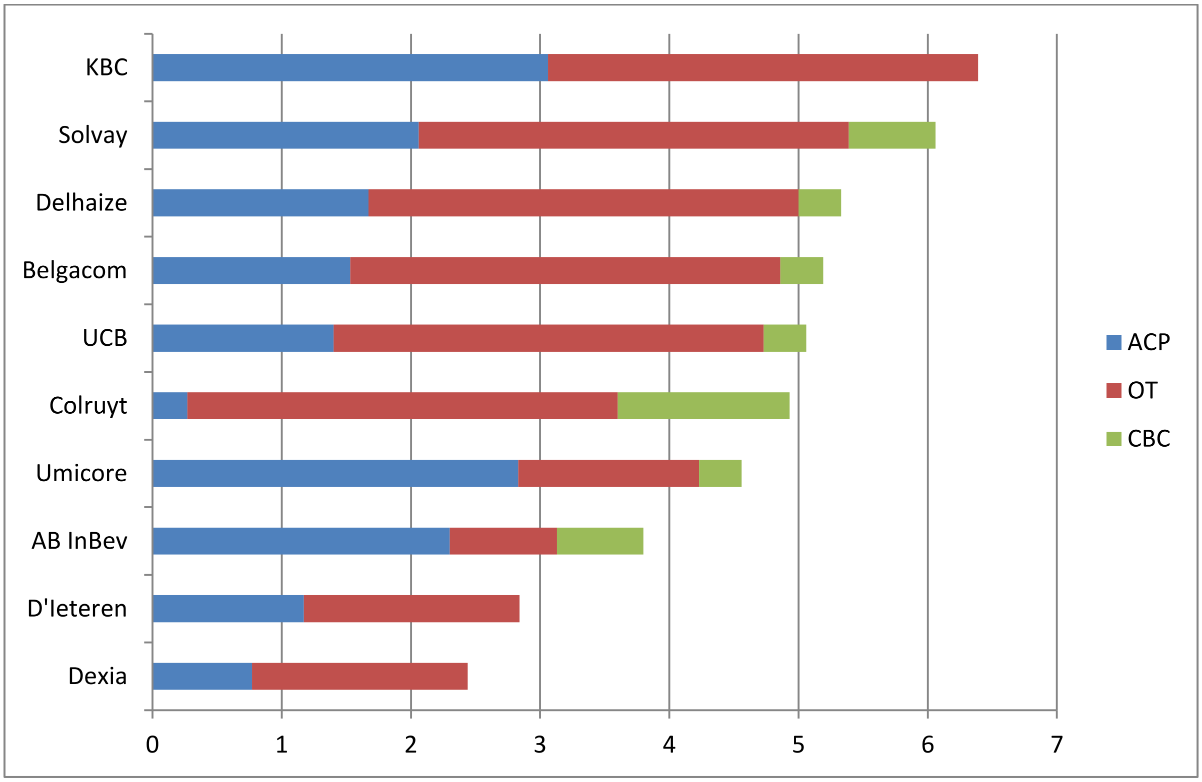
Scale 0 – 10: 0 means least transparent and 10 means most transparent in corporate reporting.

This index is based on the unweighted average of results in all three categories:

1. Reporting on anti-corruption programmes
2. Organisational transparency
3. Country-by-country reporting

Company	Index	Percentage and index					
		ACP		OT		CBC	
KBC	**6,4**	92%	3,06	100%	3,33	0%	0
Solvay	**6,1**	62%	2,06	100%	3,33	20%	0,67
Delhaize	**5,3**	50%	1,67	100%	3,33	10%	0,33
Belgacom	**5,2**	46%	1,53	100%	3,33	10%	0,33
UCB	**5,1**	42%	1,40	100%	3,33	10%	0,33
Colruyt	**4,9**	8%	0,27	100%	3,33	40%	1,33
Umicore	**4,6**	85%	2,83	42%	1,40	10%	0,33
AB InBev	**3,8**	69%	2,30	25%	0,83	20%	0,67
D'Ieteren	**2,8**	35%	1,17	50%	1,67	0%	0
Dexia	**2,4**	23%	0,77	50%	1,67	0%	0
Average	**4,7**	51%	1,71	77%	2,56	12%	0,40

RESULTS PER CATEGORY (INDEX)



The chart offers the total index and the index per category for each company.

ACP = result for reporting on anti-corruption

OT = result for organisational transparency

CBC = result for country-by-country reporting

1. INTRODUCTION

Countries around the globe are struggling to rebuild economies devastated by the financial crisis. Yet many of the world's largest publicly traded companies still do not demonstrate that they have put enough transparency measures in place to help prevent another economic meltdown. These companies continue to publish too little information about their commitments to comprehensive anti-corruption systems and their sprawling operations. They also report insufficiently on their corporate structures, preventing clarity about their true impact in countries around the world. As a result, the world's largest companies may contribute to an environment in which corruption can thrive.

These are the conclusions of the study by Transparency International on corporate reporting on a range of anticorruption measures among the 105 largest publicly listed multinational companies. This study was released on the 10th of July 2012. "*Transparency in corporate reporting: assessing the world's largest companies"* is available on Transparency International's as well as on Transparency International Belgium's website.

The Belgian section of Transparency International decided to extend this study conducted at world level, to a series of 10 Belgian publicly listed companies, by applying the same methodology to them. Although this group of companies does not have the enormous and far reaching power of the largest multinationals in the world, together they are worth US$175.3 billion[1] and touch the lives of people in more than 50 countries[2]. Their influence goes beyond investors, stock markets, suppliers and customers – it extends to those they employ and to the standards they set for working conditions and behaviour.

As the companies examined in the TRAC 2 study, all 10 Belgian companies under review, although at various degrees, report insufficiently about their commitments to comprehensive anti-corruption systems, their corporate structures and true impact in countries around the world.

Corruption is a risk for companies on a number of fronts. Corruption destroys entrepreneurship, inhibits free markets and undermines the stability vital to successful economies. It also enables enormous flows of illicit money outside the real economy – in the form of unpaid taxes, bribes and laundered funds. Companies recognise this, but now more than ever before they must act to stop corruption. Transparency must be their resolute response to address one of the root problems of the economic and financial crisis.

By adopting greater corporate transparency – publicly reporting on activities and operations – companies provide the necessary information for investors, journalists, and citizens to monitor their behaviour.

Reporting on anti-corruption programmes, organisational transparency and country-by-country reporting gives a clear and comprehensive picture of a company's operations, revenues, profits and taxation. As a result, stakeholders have the information to make informed decisions and influence corporate behaviour. While even good reporting cannot ensure good company behaviour, it is an indication of commitment, awareness and action. It also enables wrongdoing

[1] Market value - Forbes Global 2000, 2012 (Belgium)
[2] Countries of operations, disclosed through the companies' websites

or misinformation to be more readily uncovered. Ultimately, companies with a good track record of reporting on their anti-corruption programmes and global activities are more likely to be part of the solution than the problem.

2. EXECUTIVE SUMMARY

Transparency International Belgium analysed publicly available information from company websites. The research explored three dimensions of transparency:

- Public reporting on anti-corruption programmes: covering bribery, facilitation payments, whistle-blower protection and political contributions;

- Organisational transparency: including information about corporate holdings;

- Country-by-country reporting.

These Belgian companies have still a way to go to improve transparency. Only 3 out of the 10 companies have a publicly stated commitment to anti-corruption. The average score on country-by-country reporting is by far the lowest of the 3 scores. Nevertheless, comparing the average scores of the 10 Belgian companies with the average scores for the top 105 world multinationals analysed in the main TRAC 2 report, shows that the global level of country-to-country disclosure by these Belgian companies is definitely higher. On the contrary, comparison shows that there is less disclosure of companies' anti-corruption programmes by this group of companies than is the case for the 105 largest multinationals worldwide.

	Index	ACP	OT	CBC
Average 10 Belgian companies	4,7	51%	77%	12%
Average top 105 world multinationals	4,8	68%	72%	4%

REPORTING ON ANTI-CORRUPTION PROGRAMMES

Although many of these Belgian companies report on their anti-corruption programmes, there is significant room for improvement with respect to the content of such programmes. For example, only one company indicates that political contributions are prohibited, and only two declare prohibition of facilitation payments. The best score goes to KBC (92%), followed by Umicore (85%).

ORGANISATIONAL TRANSPARENCY

Only 6 out of 10 companies disclose the full list of their fully owned subsidiaries, and only half of the companies disclose the full list of their affiliates, joint-ventures and other holdings. As a result, many related entities remain hidden from public view and scrutiny. Belgacom, Colruyt, Delhaize, KBC, Solvay, and UCB score 100%.

COUNTRY-BY-COUNTRY REPORTING

Most of the 10 companies disclose little or no financial data on a country-by-country basis. And disclosure is usually limited to discrete data on selected jurisdictions. The highest score is of only 40% (Colruyt), followed by AB InBev and Solvay (both 20%). 3 companies don't disclose any financial data.

POLICY RECOMMENDATIONS

TO COMPANIES:

• Companies should publish detailed information on their anti-corruption programmes;

• Companies should publish complete lists of their subsidiaries, affiliates, joint ventures and other related entities;

• Companies should publish individual financial accounts for each country of operations;

• A transparent and informative corporate website should be the standard communication tool for companies;

• In view of their significant impact, all financial companies should report on all transparency-related issues and should, in particular, extend their anti-corruption programmes to cover agents and intermediaries acting on their behalf and prohibit facilitation payments.

TO THE INVESTOR COMMUNITY:

• Institutional and private investors should demand reporting on anti-corruption programmes, organisational transparency and country-by-country reporting and factor this information into their investment decisions;

• Risk rating agencies as well as corporate responsibility indices should include company commitments to transparency measures as an integral part of their evaluation process;

• Accounting standards relating to financial accounting as well as to corporate social responsibility reporting should include corruption relevant disclosures.

TO GOVERNMENTS AND REGULATORY BODIES:

• The Belgian government and the European Union should require companies under their jurisdiction to disclose all subsidiaries, affiliates, joint-ventures and other related entities;

• The Belgian government and the European Union should require companies under their jurisdiction to report on a country-by-country basis.

TO CIVIL SOCIETY ORGANISATIONS:

• Civil society organisations should get involved in the monitoring of businesses located or operating in their countries to promote greater transparency;

• Civil society organisations should focus advocacy efforts on businesses located or operating in their countries to improve the depth and scope of their commitments to transparency, and in particular, to improve their level of anticorruption reporting.

3. PROJECT RATIONALE AND METHODOLOGY

Transparency in Corporate Reporting: Assessing 10 Belgian Companies (*TRAC 2 Belgium*) builds on Transparency International's existing work in combating corruption in the private sector.

Although transparency does not necessarily equal good performance, Transparency International believes that reporting demonstrates a company's commitment to countering corruption and makes companies more easily accountable for shortcomings.

Transparency is measured on corporate reporting of three dimensions:

1. anti-corruption programmes;
2. organisational structure;
3. country-by-country reporting of revenues, transfers and value sharing.

These dimensions are all fundamental to transparency. Reporting on anti-corruption programmes is a basic preventative measure and enables companies to show their stakeholders that they are committed to countering corruption. Transparent organisational structures are necessary to ensure that contracts and financial flows are easily traceable. Country-by-country disclosure allows local citizens and civil society organisations to monitor companies' business relations, transfers and value sharing practices, as well as the money transfers to governments in the form of taxation and licensing.

TRAC 2 Belgium complements the *TRAC 2: Transparency in Corporate Reporting: Assessing the World's Largest Companies,* a study on the 105 largest publicly listed multinational companies which was released on July 10 2012. It analyses the 10 Belgian companies that were yet assessed in the *TRAC 1* or *Transparency in Reporting on Anti-Corruption - A Report on Corporate Practices* in 2009 *(* See *Company selection* below). The *TRAC 2* main report, and thus also the complementary *TRAC 2 Belgium* report analysing 10 Belgian companies, build on the *TRAC 1* report (See *Annex 1* Methodology for more details)

As *TRAC 2 Belgium* covers analysis of the 10 Belgian companies of *TRAC 1* 2009 report, the elements of *TRAC 2 Belgium* that cover corporate anti-corruption programmes allow comparability with the *TRAC 1* 2009 findings.

The table below identifies components of the assessments undertaken thus far by TI on corporate reporting, and shows how *TRAC 2 Belgium* compares to them.

Comparing corporate reporting in *TRAC 2 Belgium, TRAC 2* and *TRAC 1 (2009)*:

	TRAC 2 Belgium	TRAC 2	TRAC 1 (2009)
EVALUATED AREAS			
disclosed anti-corruption programmes	✓	✓	✓
disclosure of subsidiaries	✓	✓	
country-level disclosure	✓	✓	
INDUSTRIES	various	various	various
NUMBER OF COMPANIES	10	105	500
COMPANIES	listed	listed	listed

The principle outcomes of this *TRAC 2 Belgium* report are:

- The production of an overall index that ranks the 10 companies from the best to the worst performers across all three dimensions;
- The production of three separate company rankings, one for each dimension.

DATA COLLECTION AND ANALYSIS

Data were collected by desk research conducted from the 15th of May until the 5th of July 2012. They were collected exclusively from information or documents publicly available on each company's global website, including relevant links embedded in them, and collection was guided by a questionnaire along the three dimensions of transparency of corporate reporting:

- *Reporting on anti-corruption programmes*: the 13 questions in this section were based on the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption. The guidance was derived from the Business Principles for Countering Bribery developed by Transparency International.
- *Organisational transparency*: the six questions in this section focused on disclosure of companies' related entities, including subsidiaries, associates, joint ventures and other holdings.
- *Country-by-country reporting*: for each country in which a company operates, a set of five questions relating to country-level financial data was posed.

In conducting the research, Transparency International Belgium did not investigate the veracity or completeness of the published information and did not make judgment about the integrity of the information or practices disclosed. The data and scores where shared with each of the companies who were given the opportunity to review and comment them. 7 out of the 10 Belgian companies responded and commented the initial scores. When sufficient evidence was provided, scores were adjusted.

COMPANY SELECTION

The companies are the same as the selection of Belgian companies in the 2009 *TRAC 1* report: *Transparency in Reporting on Anti-Corruption: A Report on Corporate Practices released in 2009*. This first TRAC report covered 500 leading multinationals. They were chosen from a baseline index – the Forbes ranking of the largest 2000 global listed companies (March 2007). Out of these 500, *TRAC1* included the 10 highest ranking Belgian companies (except for the National Bank of Belgium)[3]. In the Forbes list of 2012, the top 10 Belgian companies remain the same, except for *D'Ieteren: Ageas* is part of the Belgian top 10, replacing *D'Ieteren* that is now in the 11th position. This first *TRAC* report focused exclusively on the companies' anti-corruption systems, not on their operational data or their country-by-country reporting. For the report, please consult: http://archive.transparency.org/policy_research/surveys_indices/trac

SCORING SYSTEM

Each question was scored on a scale of 0–1, with 1 being the best score. For some questions, a half point was awarded. Points achieved for each question (13 in anticorruption programmes, 6 in organisational transparency and 5 in country-by-country reporting) were totalled per dimension. As the maximum numerical score is different for each of the three dimensions, results are expressed in this report as a percentage.

For example, under the dimension 'reporting on anti-corruption programmes', there are 13 questions. The maximum score per question is 1, so the maximum numerical score is 13. A perfect numerical score of 13 is expressed in this report as 100 per cent. A result of 50 per cent means that the company received only 6.5 points.

The overall index is derived from taking a simple average of the results achieved for each dimension, rescaled from 0–10, where 0 is the worst and 10 the best score. A note of caution regarding interpretation of the results: this report is based on data relating to 10 Belgian companies. As such, conclusions relate to these 10 companies only. The sample sizes are too small to support broad conclusions.

[3] The National Bank was not included in the list, because the choice was "to assess listed companies rather than state-owned or privately owned companies", which "reflects the need of these companies to adhere to the extensive regulatory and reporting standards prescribed by financial authorities" (TRAC 1, p. 10).

BOX 1: BEST BELGIAN PERFORMANCES ARE MUCH LOWER THAN THE BEST PERFORMANCES OF THE 105 LARGEST PUBLICLY LISTED MULTINATIONALS

The dimensions of transparency covered by the study:

- Public reporting on anti-corruption programmes based on the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption;
- Disclosure of organisational transparency in corporate holdings including subsidiaries, affiliates, joint ventures and other holdings;
- Country-by-country reporting on basic financial data and community contributions.

KBC and Solvay achieved the two best positions in the Belgian index.

Nevertheless, with a ranking of respectively 6,4 and 6,1 they are far behind the best scores for the 105 largest publicly listed multinationals: Statoil (Norway) 8,3; Rio Tinto (Australia/UK) 7.2 and BHP Billiton (Australia/UK) 7,2. The scores of these two Belgian companies correspond to the scores of companies classified at the 13th and 23th position of the "105 multinationals" ranking.

KBC:

- 92 per cent in reporting on anti-corruption programmes. Reports on all required elements, except for prohibition of political contributions;
- Discloses required information on organisational transparency;
- But does not disclose information on revenues, taxes and community contributions on a country-by-country basis.

Solvay:

- 62 per cent in reporting on anti-corruption programmes. Reports on several required elements of anti-corruption programmes, but neither on anti-corruption requirements from intermediaries and contractors/suppliers, nor on regulation on facilitation payments, prohibition of retaliation for whistleblowers or prohibition of political contributions.
- Discloses required information on organisational transparency;
- Partly discloses information on revenues and capital expenditure on a country-by-country basis.

4. REPORTING ON ANTI-CORRUPTION PROGRAMMES

Highest performing:	KBC 92%
Average:	51%
Worst performing:	Colruyt 8%

Anti-corruption programmes constitute a company's first line of defence against corruption in its many forms. Full and transparent disclosure of such programmes underscores a commitment to countering corruption and enhances ethical conduct among management, employees, partners, agents and other relevant parties throughout the value chain.

In 2009, the Transparency International – UN Global Compact Reporting Guidance on the 10th Principle against Corruption[4] was issued. This practical tool, derived from the *Business Principles for Countering Bribery*[5], sets out clear recommendations for companies on the elements of their anti-corruption programmes that should be publicly disclosed.

Companies and their employees already know the value of anti-corruption programmes: a study by PricewaterhouseCoopers[6] found that having an anticorruption programme in place and publicising it was seen as valuable or very valuable to a company's brand by 86 per cent of companies surveyed.

COMPANY RESULTS

The 10 companies score an average of 51 per cent in their reporting on anti-corruption programmes.

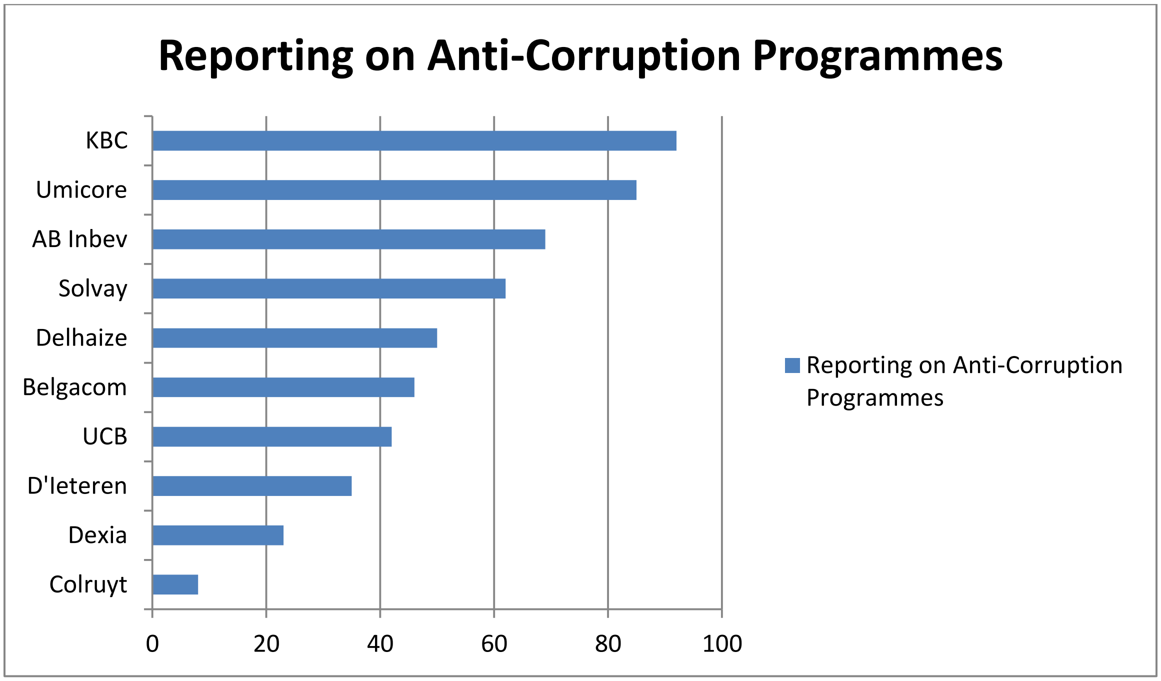
KBC who achieved the highest score of 92 per cent, was followed by Umicore and AB InBev, having obtained respectively 85 and 69 per cent on anti-corruption programmes. Solvay is following not far behind with 62 per cent. The bottom of the ranking is occupied by Dexia (23 per cent) and Colruyt (8 per cent).

The two questions that received the highest score where the one asking if a company's anti-corruption policy applies to all employees, regardless of their position in corporate hierarchy, and the one informing on public commitment to complying with all relevant laws, including anti-corruption laws. All of the 10 companies publish such a compliance commitment to a certain extent.

Although for most of the companies the anti-corruption policy applies to all employees (8 out of 10), it does not often apply (3 companies out of the 10) to the agents and intermediaries of the companies. The most troublesome question was on whether a company has a policy prohibiting political contributions. Although these are not allowed in Belgium, only one of the companies actually prohibits them. The second most troublesome question was on facilitation payments. Only two companies (AB InBev and KBC) have a policy that explicitly prohibits facilitation

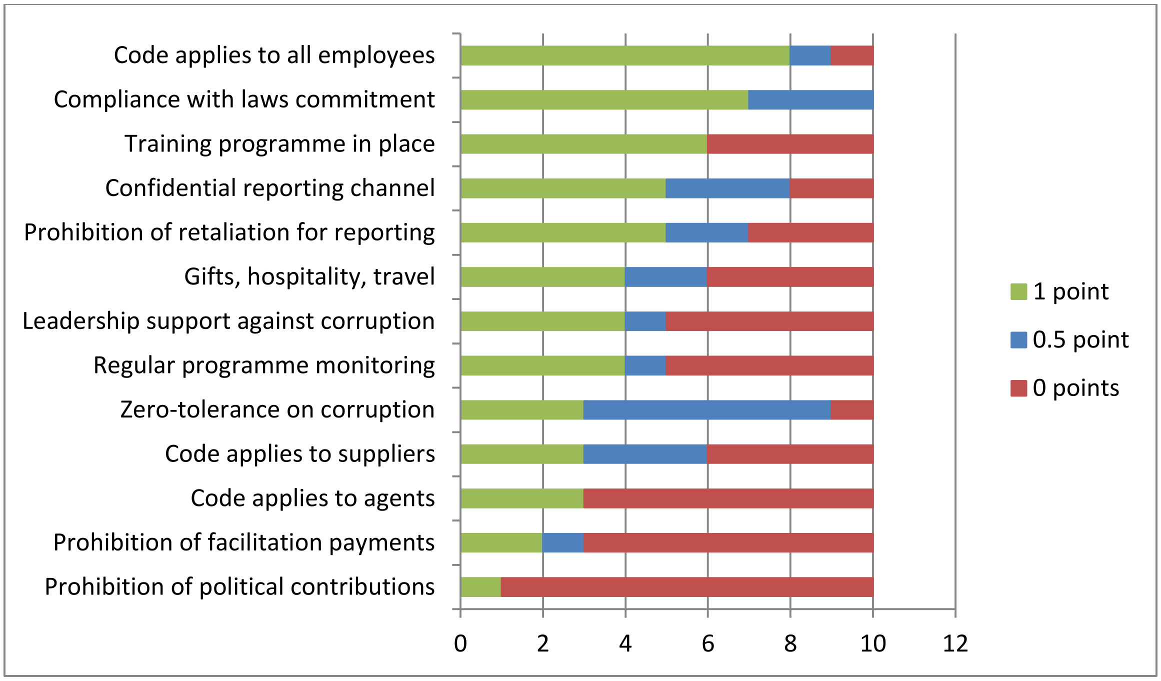
[4] www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf
[5] www.transparency.org/whatwedo/tools/business_principles_for_countering_bribery
[6] www.pwc.com/gx/en/forensic-accounting-dispute-consulting-services/business-case-anti-corruption-programme.jhtml

payments or small unofficial payments made to secure or expedite a performance of a routine or necessary action to which the company has legal or other entitlement.



Where 100% means full transparency on anti-corruption programmes.

REPORTING ON ANTI-CORRUPTION PROGRAMMES: ANALYSIS BY QUESTION



Most companies (8 out of 10) have a Code of Conduct that applies to all employees, irrespective of their place in the company hierarchy. Also, many companies (7 out of 10) publicly state that they comply with all relevant rules and regulations. Three of them partly do so. 5 companies have channels for confidential reporting of violations of their policy against corruption or their code of conduct. Three companies have this channel, but it is not confidential. On the other hand, 2 companies mention no channel whatsoever.

More than half of the companies have an anti-corruption training in place for their employees. The chart also shows that more than half of the leaders of these companies do not demonstrate public support for anti-corruption. 4 out of 10 have no public policy on gifts, hospitality and travel expenses. Remarkable is that 7 of them have no public statement against corruption.

The two questions which received the lowest score are on facilitation payments and political contributions. Only 2 companies explicitly forbid facilitation payments or small unofficial payments for routine actions and only one of them prohibits political contributions.

4. ORGANISATIONAL TRANSPARENCY

Highest performing:	KBC, Solvay, Delhaize, Belgacom, UCB and Colruyt 100%
Average:	77%
Worst performing:	AB InBev 25%

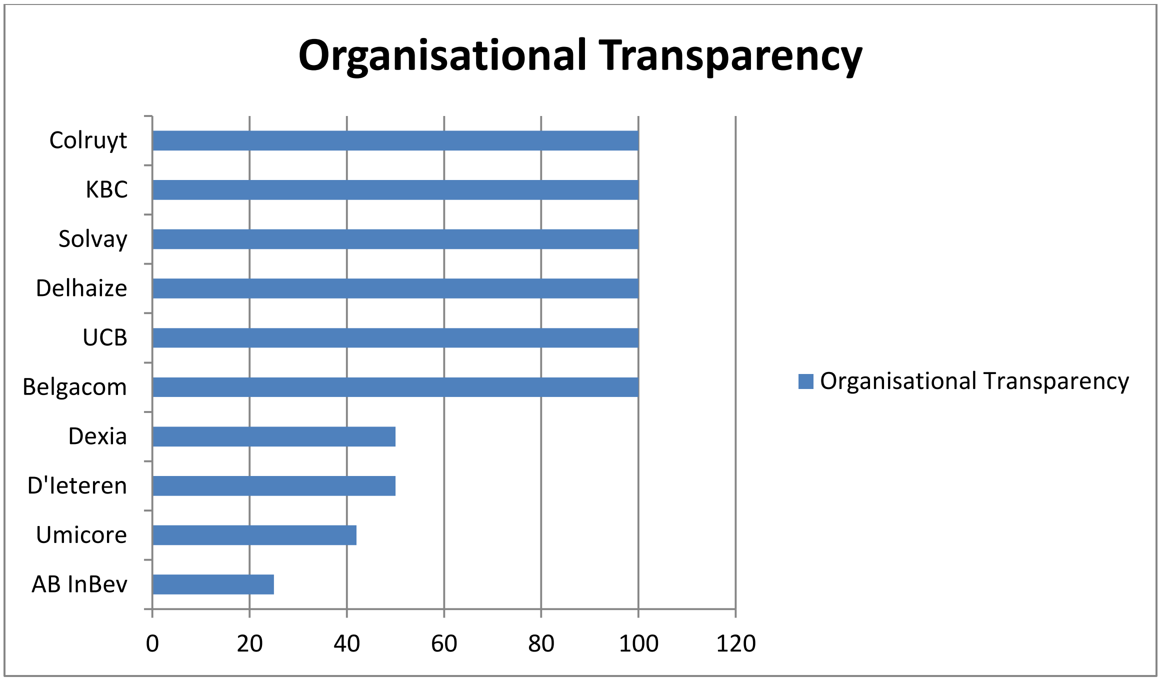
Out of the three categories, the 10 companies under review have the highest average score in organisational transparency: 77%.

BOX 2: COUNTRIES OF INCORPORATION VERSUS COUNTRIES OF OPERATIONS
Country of incorporation refers to the jurisdiction in which the company is created. 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). Sometimes the country of incorporation and operations are the same, sometimes they are different. In the case of the 10 Belgian companies, the country of incorporation is Belgium. However, all companies also “engage in business” in countries of operations. Transparency International recommends full disclosure of both the country of incorporation and of operations. Such information is critical to multiple stakeholders (investors and citizens) in both countries in order to determine the true nature and extent of a company’s activity.

Organisational transparency is particularly important in the case of multinational companies that operate through a network of interconnected subsidiaries, affiliates, joint-ventures and other holdings that may be incorporated in diverse jurisdictions, including secrecy jurisdictions. Critical issues such as inter-company financial flows can only be followed if corporate networks are disclosed.
To determine the dimension of the report focusing on organisational transparency, the amount of information companies disclose on their related holdings is assessed.[7] Questions cover the names, percentage holdings and country of operations for both fully consolidated and non-fully consolidated company holdings.

Local stakeholders need to know which companies are operating in their territories, bidding for government licences or contracts, or have applied for or obtained favourable tax treatment. They need to know to which international corporate networks these companies belong and how they are related to other companies operating in the same countries. Disclosure of corporate holdings shines a light on corporate practice when it comes to such issues as intra-company payments, government payments and transparency in general. The need for transparency is especially acute in the developing world, where both public and private sector openness may not reflect highest standards and/or enable citizen oversight.

[7] In the questionnaire non-fully consolidated holdings are referred to as ‘non-fully consolidated subsidiaries’.

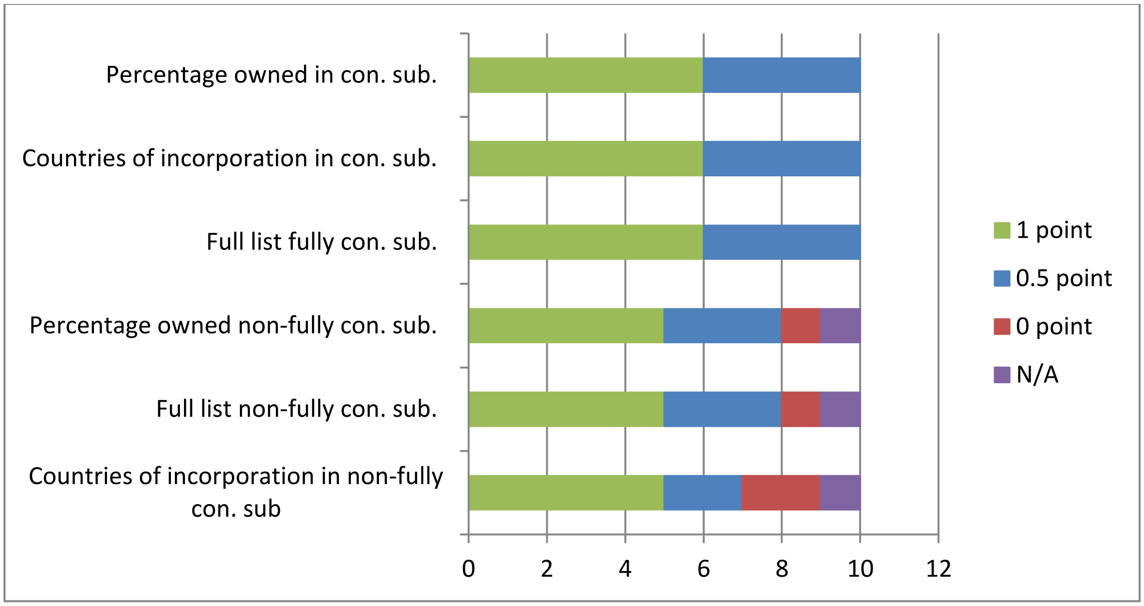


Where 100% means full organisational transparency.

In terms of organisational transparency, six companies score 100% (Colruyt, KBC, Solvay, Delhaize, Belgacom and UCB). They are followed by Dexia and D'Ieteren, with both 50%. The companies which score under 50% in organisational transparency are: Umicore (42%) and AB InBev (25%).[8]

[8] 'Organisational Transparency': When a company only receives 0.5 on the disclosure of a full list of fully or non-fully consolidated material subsidiaries, the maximum of points the company can obtain on the disclosure of percentages owned in these subsidiaries and countries of incorporation of these subsidiaries is also 0.5 point.

ORGANISATIONAL TRANSPARENCY: ANALYSIS PER QUESTION



con. sub. = consolidated material subsidiaries

All companies disclose information on their fully consolidated material subsidiaries, with 6 out of 10 giving a full list of their fully consolidated subsidiaries. For disclosure of non-fully consolidated subsidiaries scores are slightly lower with one company not providing any information and one company currently not having any non-fully consolidated subsidiaries.

All companies disclose the countries of incorporation for the list of fully consolidated material subsidiaries that is disclosed. However, for non-fully consolidated material subsidiaries, only 7 companies disclose them.

BOX 3: MATERIALITY

- In “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, in the US, materiality is defined by the SEC as follows:

1. the investment exceeds 10 per cent of the company’s consolidated assets
2. the share in the subsidiary’s assets exceeds 10 per cent of its own consolidated assets
3. the share in the subsidiary’s income before tax exceeds 10 per cent of its own consolidated income.

- The list of *material* holdings can be surprisingly short because the application of the materiality rules to each individual holding can result in the exclusion of many of them. Thus, a company that operates through fully owned subsidiaries in 40 countries could end up listing only a handful of subsidiaries because no single subsidiary is *material* on its own. The more holdings a company has, the less likely any one of them will be *material*.

- The holdings most likely to be non-material and therefore omitted are those from developing countries and secrecy jurisdictions, but these are exactly the holdings that companies should disclose because they are the ones for which information is otherwise unavailable. Because *materiality* can prove to be a significant limiting factor, Transparency International strongly encourages multinational companies to publicly disclose exhaustive lists of their holdings, regardless of their *materiality*. Such lists should be readily accessible on the company website.

5. COUNTRY-BY-COUNTRY REPORTING

Highest performing: Colruyt (40%)
Average: 12%
Worst performing: Dexia, D'Ieteren, KBC (0%)

None of the 10 companies disclose sufficient information on their international operations by country, with three companies Colruyt (40%), Solvay and AB InBev (each 20%) scoring slightly better. This means that there is hardly any public information available on capital expenditure and community contribution, and even no public information on pre-tax income, and income in countries in which these Belgian companies operate.

This section evaluates country-by-country disclosure of international operations. An industry-neutral set of criteria was used to measure the degree of transparency in financial reporting of revenues, capital expenditure, and income before tax, income tax, and community contributions.

Citizens, including those in developing countries that often host foreign companies, must have adequate information in order to assess the activities of companies operating in their territory. These businesses generate revenues and profits locally and so contribute to the public budget through royalties, taxation and the like. Government contracts may include, for example, tax incentives, which need to be transparently and fairly negotiated and disclosed. In this way, 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 such operations generate and what, if any, special arrangements their governments may have entered into with multinational companies.

The importance of full and transparent disclosure on a country-by-country basis is apparent throughout the developing world. For example, in resource-rich Mozambique, multinational companies that engage in large mining projects are exempt from corporate tax, import and export duties, VAT and sometimes even income tax payments. The failure of multinational companies to report fully on all their operations in Mozambique, one of the world's poorest countries, makes it difficult, if not impossible, for the people of Mozambique to demand accountability from the multinationals and their government for such practices.

COMPANY RESULTS

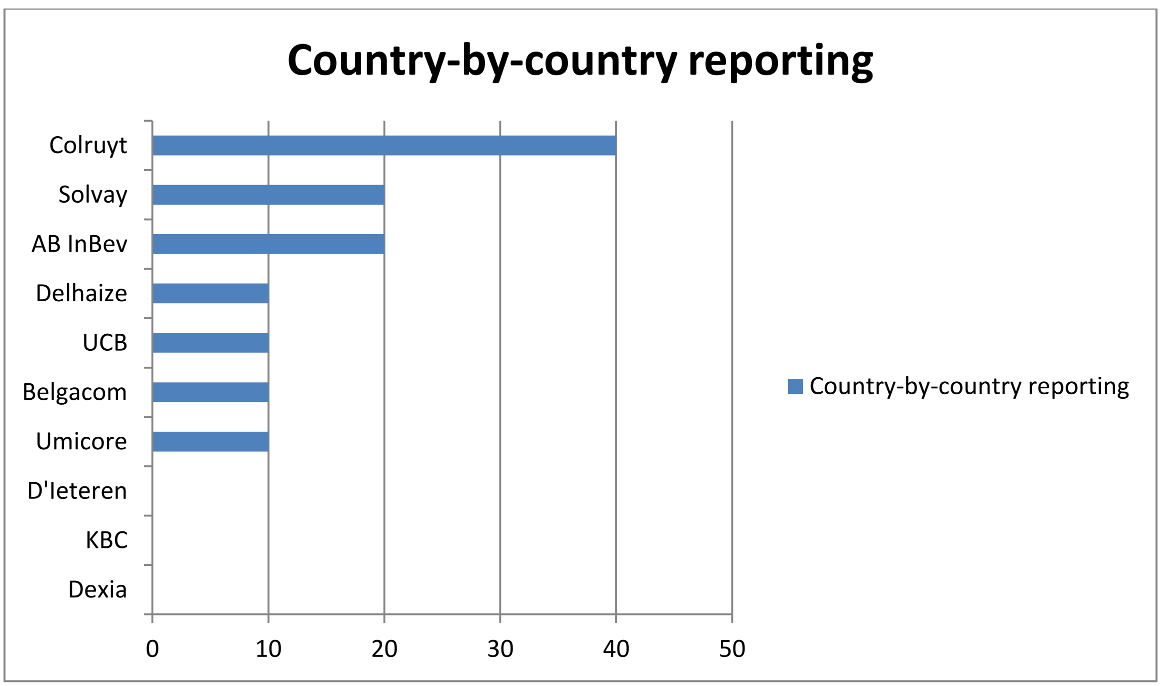
Multinational companies operate globally and they typically report to the tax authorities in each country where their subsidiaries are incorporated or doing business. This means that multinational companies possess financial information internally on a country-by-country basis, but they rarely present it in this form to the public.

The graphical presentation below of company ranking for country-by-country reporting is dramatic. First, the concentration of companies at the very bottom of the scale indicates a very weak performance with 3 out of 10 companies providing no information and half of the companies providing only very limited information, which in most cases relates to community contributions. Second, the scale tops out at 40 per cent (Colruyt), which means that the best scoring company received only 40% of the maximum possible score. Colruyt discloses information on its revenues by country (Belgium and France), in addition to community contribution disclosure including amounts and list of beneficiaries (Social Projects in Our Company – Colruyt Group).

Solvay scores 20 per cent for disclosing revenues and capital expenditure for a large share of countries, just like AB InBev who partly discloses capital expenditure and community contribution. UCB (10%) partly discloses revenues, and Belgacom, Delhaize and Umicore (10%) partly disclose community contribution. The 3 remaining companies (Dexia, D'Ieteren and KBC) score 0%.

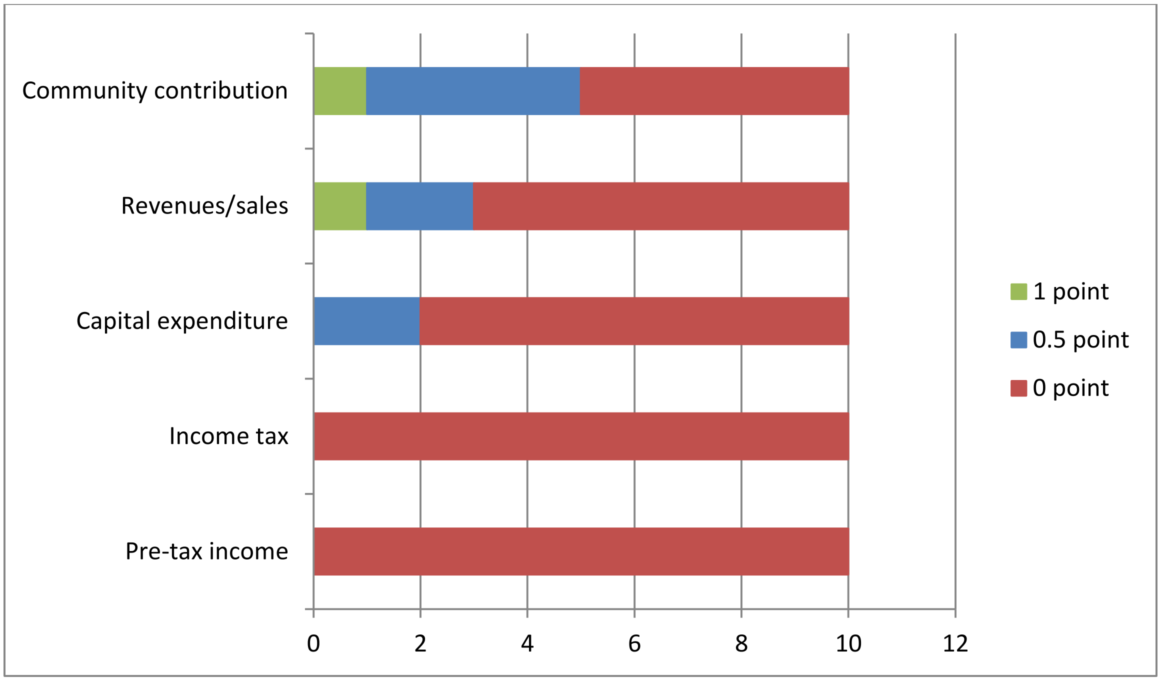
The average result in this category was only 12%. This very low percentage may be attributed to any one or all of several factors. First, reporting on a country-by-country basis has not yet been the subject of regulatory attention. This should improve as relevant legislation that requires extractive companies to report payments to governments comes into effect (in the United States the Dodd-Frank Act and similar legislation pending in the EU). Second, companies tend to aggregate their accounts only by region for reporting purposes, even though country-level data is available to them. While presentation by large regions may be easier, valuable detail is lost in the aggregation.

Transparency International Belgium strongly encourages Belgian multinational companies to significantly increase their performance.



Where 100% means a company is fully transparent in all its countries of operation.

COUNTRY-BY-COUNTRY REPORTING: ANALYSIS BY QUESTION



ANNEX 1: METHODOLOGY

TRAC 2 Belgium: Transparency in Corporate Reporting

Transparency International believes that transparency and accountability are the cornerstones of the fight against corruption, in both the public and private sector. Companies have a particularly important role to play in stemming the flow of corruption. Responsible corporations must implement comprehensive anti-corruption programmes, be transparent in their operations and organisational structures and provide accountability to their stakeholders.

By disclosing their commitments to transparency, companies communicate their values and policies and how these are being translated into action. It is critical that companies report on progress in their efforts to counter corruption – for through such disclosure they can then be held to account by stakeholders and demonstrate the credibility of their anti-corruption efforts.

The report from Transparency International Belgium (TI Belgium) complements the TRAC *2: Transparency in Corporate Reporting* on the 105 largest publicly listed multinational companies which was released on July 10, by analysing the 10 Belgian companies that were assessed in the 2009 TRAC 1 or *Transparency in Reporting on Anti-Corruption.* The TRAC 2 main report, as well as the complementary "TRAC 2 Belgium" report analysing 10 Belgian companies, builds on the TRAC 1 report[9].

For the past decade, Transparency International has been working with the business community to develop a suite of tools that provide guidance for firms that want to set up and assess their own anti-corruption systems[10]. As an anti-corruption watchdog, Transparency International has developed research tools that evaluate the perceptions and risk of corruption in the private sector at the sectorial and country level, as well as tools that evaluate the level of compliance and commitment to anti-corruption initiatives at the firm level.

For the TRAC 2 report, Transparency International merged expertise from two previous firm-level studies: *Transparency in Reporting on Anti-Corruption* (TRAC) and the *Promoting Revenue Transparency* (PRT) companies reports, to analyse reporting practices of the 105 largest publicly listed companies. The methodology used for the main TRAC 2 report is also used by TI Belgium for the "TRAC 2 Belgium" analysis. The "TRAC 2 Belgium" report evaluates three aspects of corporate reporting related to anti-corruption: anti-corruption programmes, subsidiaries and country-level operations.

Robust, publicly disclosed anti-corruption programmes constitute a basic preventive measure by companies and show their commitment to anti-corruption. Transparent corporate structures are a necessary condition for transparent contracts and financial flows. Country-level disclosure allows for monitoring by local citizens and civil society organisations of companies' business relations, transfers and value sharing practices.

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[9] Transparency International released a first version of this report, *TRAC: Transparency in Reporting on Anti-Corruption – A Report on Corporate Practices*, in 2009. This first *TRAC* report covered 500 leading multinationals but focused exclusively on their anti-corruption systems, not on their operational data or their country by country reporting. For the report, please see http://www.transparency.org/policy_research/surveys_indices/trac

[10] Business Principles for Countering Bribery
http://www.transparency.org/content/download/43008/687420
TI Self Evaluation Tool http://www.transparency.org/content/download/44214/708959

This three-part approach to evaluating anti-corruption commitments is increasingly advocated by civil society organisations, and by the Task Force on Financial Integrity and Economic Development, a coalition of civil society organisations and governments working to improve equitable outcomes of the global financial system. TI has participated in the Task Force since 2009.

"TRAC 2 Belgium" covers analysis of the 10 Belgian companies of TRAC 1 (2009 report). The elements of "TRAC 2 Belgium" that cover corporate anti-corruption programmes allow comparability with the TRAC 2009 findings.

The table, below, identifies components of the assessments undertaken thus far by TI on corporate reporting, and shows how TRAC 2 compares to them.

Comparing corporate reporting in TRAC 2 Belgium, TRAC 2 and TRAC 1 (2009):

	TRAC 2 Belgium	TRAC 2	TRAC 1 (2009)
EVALUATED AREAS			
disclosed anti-corruption programmes	✓	✓	✓
disclosure of subsidiaries	✓	✓	
country-level disclosure	✓	✓	
INDUSTRIES	various	various	various
NUMBER OF COMPANIES	10	105	500
COMPANIES	listed	listed	listed

Comparisons over time will enable us to identify progress by companies in the area of reporting on anti-corruption programmes. TRAC 2 will also help to establish a baseline for the level of commitments by companies to transparent practices.

General research approach

Transparency International Belgium has analyzed reporting practices of 10 listed Belgian companies in three categories: key elements of anti-corruption programmes, subsidiaries and country-level operations.

The three categories are evaluated separately and complete scores are provided on a disaggregated basis. Full results data accompanying the report will be made publicly available.

Company selection

The companies are the same as the selection of Belgian companies in the 2009 TRAC 1 report: *Transparency in Reporting on Anti-Corruption: A Report on Corporate Practices*. This first TRAC report covered 500 leading multinationals They were chosen from a baseline index – the Forbes ranking of the largest 2000 global listed companies (March 2007). Out of these 500, TRAC1 included the 10 highest ranking Belgian companies (except for the National Bank of Belgium).[11]

Data collection

Data have been collected by desk research conducted from the 15th of May until the 5th of July 2012. The sources are limited to companies' websites, their links and documents downloadable from these websites. Data for each question were recorded, and the exact sources provided (e.g. corporate documents with page numbers or websites with dates when data was downloaded). The research was based on latest available documentation.

Preliminary data were shared with the companies, who each had about six weeks to review their own data and provide feedback or propose corrections. All substantiated corrections were analysed and carefully considered, and when sufficient evidence was provided, scores were adjusted.

NB: Transparency International Belgium is not able to verify that information disclosed on websites or in reports is correct. In other words, if a company discloses "a full list of its fully consolidated material subsidiaries", we will assume that the list is complete and score accordingly. In addition, it is beyond the scope of the research to deliver judgment on levels of integrity in company practices. Rather, the report focuses on transparency and anti-corruption in corporate policies and procedures, all of which are crucial elements in ensuring good corporate governance and mitigating the risk of corruption.

Scoring and rankings

The score for a category - disclosure of anti-corruption programmes, disclosure of subsidiaries, and country - level disclosure will be a simple sum of such averages. Questions can score 0, 0.5 or 1.

The final scores for each category will be expressed as percentage of the maximum available score (i.e., for disclosure of subsidiaries where the maximum available score is 6 points, and company's result X, the score will be calculated as follows: (X/6) x 100%). [12]

[11] The National Bank was not included in the list, because the choice was "to asses listed companies rather than state-owned or privately owned companies", which "reflects the need of these companies to adhere to the extensive regulatory and reporting standards prescribed by financial authorities" (TRAC 1, p. 10).

[12] For questions 18-20 a company can score N/A if it does not have any non-fully consolidated material subsidiaries. Its overall score for the section will be calculated as % performance for questions 14-16 only. I.e.: if a company scores 3 points for questions 14-16 and N/A for questions 18-20, its score for this section will be 100%.

All companies evaluated in “TRAC 2 Belgium” will be named and full data supporting the results will be made publicly available upon the launch of the report. Company rankings will be calculated for each category. There will not be any weighting of categories against each other. Nonetheless, potential correlations between results in different categories will be thoroughly explored.

ANNEX 2: QUESTIONNAIRE

I. DISCLOSED ANTI-CORRUPTION PROGRAMMES

1. Does the company have a publicly stated commitment to anti-corruption?
2. Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?
3. Does the company leadership 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 (DISCLOSURE OF SUBSIDIARIES)[13]

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?

18. Does the company disclose the full list of its non-fully consolidated material subsidiaries?

19. Does the company disclose percentages owned in its non-fully consolidated material subsidiaries?

20. Does the company disclose countries of incorporation of its non-fully consolidated material subsidiaries?

III. COUNTRY-BY-COUNTRY DISCLOSURE

In our 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?

[13] Questions 17 & 21 relate to the disclosure of countries of operation of the subsidiaries. TI-S, on request of companies, suppressed these questions from the analysis. TI Belgium followed the TI-S methodology adjustment.

ANNEX 3: LIST OF COMPANIES

List of companies of TRAC 2 Belgium (in alphabetical order)

	COMPANY	INDUSTRY (Industry Classification Benchmark)
1	Anheuser-Busch InBev	Consumer goods & services
2	Belgacom	Telecommunication
3	Colruyt	Consumer goods & services
4	Delhaize	Consumer goods & services
5	Dexia group	Financials
6	d'Ieteren	Consumer goods & services
7	KBC group	Financials
8	UCB	Pharmaceuticals
9	Umicore	Basic materials
10	Solvay	Basic materials

ANNEX 4: DATA TABLES (PER COMPANY, PER QUESTION)

Question	AB InBev	Belgacom	Colruyt	Delhaize	Dexia	D'Ieteren	KBC	UCB	Umicore	Solvay
1	0.5	1	0	0.5	0.5	0.5	1	0.5	0.5	1
2	1	0.5	1	1	1	0.5	1	0.5	1	1
3	0	0	0	1	0	0.5	1	0	1	1
4	1	1	0	1	1	0.5	1	1	1	1
5	1	0	0	0	0	0	1	0	1	0
6	0.5	1	0	0.5	0	0.5	1	0	1	0
7	1	1	0	0	0	0	1	1	1	1
8	1	0	0	0.5	0	0.5	1	0	1	1
9	1	0	0	0	0	0.5	1	0	0	0
10	1	0	0	1	0.5	0.5	1	1	1	0
11	1	0.5	0	1	0	0.5	1	1	0.5	1
12	0	1	0	0	0	0	1	0.5	1	1
13	0	0	0	0	0	0	0	0	1	0
14	0.5	1	1	1	0.5	0.5	1	1	0.5	1
15	0.5	1	1	1	0.5	0.5	1	1	0.5	1
16	0.5	1	1	1	0.5	0.5	1	1	0.5	1
18	0	1	1	1	0.5	0.5	1	N/A	0.5	1
19	0	1	1	1	0.5	0.5	1	N/A	0.5	1
20	0	1	1	1	0.5	0.5	1	N/A	0	1
22	0	0	1	0	0	0	0	0.5	0	0.5
23	0.5	0	0	0	0	0	0	0	0	0.5
24	0	0	0	0	0	0	0	0	0	0
25	0	0	0	0	0	0	0	0	0	0
26	0.5	0.5	1	0.5	0	0	0	0	0.5	0

ANNEX 5: 2012 FORBES GLOBAL 2000 BELGIUM

12 largest Belgian companies by market value, out of the 2000 largest global multinational companies.

	Company	Rank
1.	Anheuser-Busch InBev	93
2.	KBC Group	645
3.	Delhaize Group	795
4.	Belgacom	813
5.	Solvay	842
6.	Ageas	843
7.	Dexia	889
8.	National Bank of Belgium	994
9.	Umicore	1110
10.	Colruyt	1199
11.	UCB	1543
12.	D'Ieteren	1589

Source: http://www.forbes.com/global2000/#p_6_s_a2_All%20industries_All%20countries_All%20states_