

Transparency International EU

The global coalition against corruption

Emerging market companies show low levels of transparency, allowing corruption to thrive

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75 per cent of companies in Transparency International report score less than 5 out of 10 in transparency tests

Berlin, 11 July 2016 – The vast majority of the world’s biggest emerging market companies have failed when it comes to transparency, creating an environment for corruption to thrive in their businesses and in the places they operate. A new report from Transparency International reveals an urgent need for these large multinational firms to do much more to stop corruption.

In the latest edition of *Transparency in Corporate Reporting: Assessing Emerging Market Multinationals 100* of the fastest-growing companies based in 15 emerging market countries and operating in 185 countries around the world scored an average of 3.4 out of 10, where 0 is the least transparent and 10 is the most transparent. The average score fell slightly by 0.2 compared to the last time the survey was taken in 2013.

“Pathetic levels of transparency in big emerging market companies raises the question of just how much the private sector cares about stopping corruption, stopping poverty where they do business and reducing inequality. Time and again we see huge corruption scandals involving multinationals, such as Odebrecht Group or China Communications Construction Company, doing immense damage to local economies. Through adequate transparency and anti-corruption measures and will from the top this could have been prevented. Although many companies say they want to fight corruption, this is not enough. Action speaks louder than words,” said José Ugaz, Chair of Transparency International.

The seventy-five companies from BRICS countries (Brazil, Russia, India, China and South Africa) did no better, failing to beat the average score as poor-performing Chinese companies dragged the whole group lower. Companies from BRICS countries produce about 30 per cent of global GDP, giving them a clear obligation to take responsibility for their actions.

Chinese companies, which account for a third of those assessed, had the weakest overall performance, scoring an average of 1.6 out of 10 with just one making it to the top 25. This again underscores the need for China and its business community to take immediate action to raise their standards. This is especially true in places like Africa where the Chinese government recently pledged to invest \$60 billion, money that will likely be spent on services from Chinese companies.

The very weak Chinese results stem from weak or non-existent anti-corruption policies and procedures, or a clear failure to disclose them in line with international best practice. Regulation matters, as also the Indian case shows. Indian companies have the highest average score of any country – they all score 75 per cent or more – in organisational transparency largely due to the Companies Act.

Across emerging markets all companies need to do much more to pursue comprehensive public reporting to address corruption and provide the transparency that is the basis for robust and accountable governance.

Anti-corruption programs that keep a company from using bribery as a tool or provide ways for whistleblowers to report corruption without fear of retribution must be made publicly available to send a clear message to their customers, staff and partners that a company does not accept corrupt practices.

“Customers should demand the companies they patronize live up to the highest anti-corruption standards or risk losing their business,” Ugaz said.

Exhaustive lists of subsidiaries, affiliates, joint ventures and other entities must be easily accessible, allowing local stakeholders to understand the economic and social impact of multinational business in their societies and communities.

At the same time governments should implement strong anti-bribery laws, like the UK Bribery Act and enforce the laws, like the US does, as well as adopt rules for mandatory reporting on anti-corruption and company structures.

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Transparency International is the global civil society organisation leading the fight against corruption.

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