Transparency in Corporate Reporting

ASSESSING THE LARGEST LISTED AND NON-LISTED DANISH COMPANIES (2016)

TRANSPARENCY INTERNATIONAL Danmark

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Transparency International is the global civil society organization leading the fight against corruption. Through more than 100 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 Danish chapter (TI Denmark) was founded in 1995 and has its office in Copenhagen.

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Companies sorted by combined score (descending order)

Company	Combined score 2016
Arla Foods	67%
Coloplast	67%
Danske Bank	67%
Lego	67%
Novo Nordisk	67%
Pandora	65%
Danfoss	64%
DSV	64%
ISS	64%
Lundbeck	64%
Carlsberg	63%
Grundfos	63%
Novozymes	63%
Chr. Hansen Holding	62%
FLSmidth & Co.	62%
A P Møller Mærsk	61%
DONG Energy	60%
Scandinavian Tobacco Group	59%
William Demant Holding	56%
DFDS	55%
Rockwool International	54%
SimCorp	54%
Vestas Wind Systems	48%
Dansk Supermarked Group	47%
Royal Unibrew	47%
DLG	46%
GN Store Nord	45%
Danish Agro	42%
Danish Crown	29%
United Shipping & Trading Company	0%
Average	56%

Forord

De 4 CEMS-studerende, som skrevet rapporten, er primært udlændinge og har derfor skrevet rapporten på engelsk. Transparency International Danmark, som udgiver rapporten har valgt ikke at lave en oversættelse til dansk af hele rapporten , men blot lave dette forord på dansk.

I 2012 lavede Transparency International (TI) den første omfattende undersøgelse af, hvorledes verdens største multinationale selskaber rapporterer om emner vedrørende transparens og anti-korruption. Undersøgelsen var baseret på en vurdering af indsamlet offentlig tilgængelig information fra disse firmaers hjemmesider om deres anti-korruptions-programmer, ejerforhold til datterselskaber samt land-for-land rapportering.

Transparency International Danmark (TI DK) valgte i 2014 at lave en tilsvarende analyse for de 20 største danske børsnoterede virksomheder med væsentlig international aktivitet. Rapporten vakte betydelig opmærksomhed og viste en vej til analyse af virksomhedernes rapportering på området.

I år har vi valgt at lave en ny rapport, dels med de 20 største børsnoterede og nu også med de 10 største ikke-børsnoterede virksomheder, for begge grupper med væsentlig international aktivitet. Samlet set er der 15 virksomheder, som er med i begge rapporter. Der er i begge år anvendt præcis samme analysemetode, hvorfor resultaterne er sammenlignelige.

Rapporten for 2016 viser dels, at der er sket en flot forbedring for de 15 virksomheder, som også var med i 2014 rapporten og dels at de ikke-børsnoterede virksomheder klarer sig rigtig flot. Der er nu 4 virksomheder, som scorer maksimum point på anti-korruptions politikker. Også omkring ejerforhold er der sket en klar forbedring, hvilket bl.a. hænger sammen med nye oplysningskrav i regnskabslovgivningen. Omkring lande-rapportering er resultatet generelt beskedent, men her mangler der p.t. eksterne krav at leve op til.

Bestyrelsen for Transparency International Danmark har godkendt indholdet af rapporten og vi er stolte over at kunne præsentere den i vores navn. Vi håber at rapporten vil opmuntre danske virksomheder og deres interessenter til at fortsætte med at samarbejde om at fremme transparens i virksomhedernes rapportering.

Vil vi gerne takke alle, som har medvirket til rapportens tilblivelse, især CEMS-gruppen (Alexandra Kemp, Marina Trocin, Rebecca Schmid og Sophie Ferdinand Ellgaard) som har gennemført undersøgelsen og TI's sekretariat i Berlin, som har ydet metode-støtte. Endelig vil vi rette en stor tak til de personer i de undersøgte virksomheder, som har hjulpet med at rette fejl og mangler undervejs.

København juni 2016
Transparency International Danmark

Preface

> *Markets rely on rules and laws, but those rules and laws in turn depend on truth and trust. Conceal truth or erode trust, and the game becomes so unreliable that no one will want to play. The markets will empty and share prices will collapse, as ordinary people find other places to put their money – into their houses, maybe, or under their beds*
>
> – Charles Handy (Handy, 2002: 49)

In 2012, Transparency International (TI) conducted the first comprehensive study on how the world's largest publicly listed multinational companies report on subjects relative to transparency and anti-corruption. The study was based on collecting and assessing publicly available information from the websites of the companies within the areas of their anti-corruption programme, organizational structure (subsidiaries and ownership interests), and country-by-country financial reporting.

Subsequently, several other TI national chapters such as Argentina, Greece, Italy, Kuwait, Norway and Sweden have conducted the same type of study, and Netherlands and South Africa are currently doing studies.

This report is the result of a study of large Danish companies. Students of the CEMS Programme at Copenhagen Business School (CBS) performed the study from February to May 2016 as an academic semester assignment. The board of Transparency International Denmark (TI-DK) has reviewed the report and we are proud to publish the report in our name.

Transparency International Denmark hopes that this publication will encourage companies as well as their external stakeholders to continue to cooperate and collaborate closely to promote transparency in corporate reporting. In this respect we are proud to note, that 84% of the companies in the study took the opportunity to actively engage with the TI TRAC team during the study in order to improve their score.

We wish to thank everyone who helped us throughout the process of this study, specifically the CEMS team (Alexandra Kemp, Marina Trocin, Rebecca Schmid and Sophie Ferdinand Ellgaard) for performing the study, Stig Hartmann of CBS for acting as academic advisor and the Transparency International secretariat in Berlin for methodology support. Finally we want to thank the contacts at the companies in the study for their efforts in supporting the study with active participation.

Copenhagen, June 2016
Transparency International Denmark

Introduction

Transparency International (TI) is a global non-profit and non-governmental organization (NGO) fighting corruption by the means of transparency. TI defines corruption as "the abuse of entrusted power for private gain[1]", and works against corruption in all its forms. Its role in the current society is constantly growing. Recent events, such as the leaks of "Panama Papers" prove that there is a necessity for an in-depth scrutiny of the ethical behaviour that international companies promote. More precisely, the information they tend to disclose publicly and their involvement in anti-corruption practices. Therefore, transparency has a crucial role in defying corruption because it enables public-monitoring and minimizes the incentives for corruption and bribery. One of the tools TI uses to investigate and promote transparency is the "Transparency in Reporting in Anti-Corruption" methodology and ensuing reports (TRAC). Besides increasing public awareness concerning these issues it also creates a benchmark that instigates companies to engage in anti-corruption programmes.

There is a perception, that corruption is less widespread in Scandinavia, and Denmark is currently the top ranking country in the Corruption Perception Index (CPI), an annual ranking of perceived corruption in the public sector of 177 countries[2]. It is tempting to assume, that in countries with a good ranking (i.e. low level of corruption) in CPI, private sector companies will also have a lower level of corrupt practices. Corrupt practices in private sector companies, at home or abroad, might have a huge impact both on the company itself and its stakeholders. Not only does the risk of legal consequences pose a threat: the operational, financial and not least reputational risks connected with corrupt practices may profoundly damage a company. Corruption can also damage society at large. By decreasing investment willingness, destroying entrepreneurship, diverting public resources to inefficient projects, and undermining economic and political stability, it can act as a toxic barrier to growth.

Transparency in corporate reporting can serve as a proxy for determining how companies and other entities deal with the issues of corruption. Measuring these factors can furthermore encourage companies to act against corruption by setting benchmarks and increasing the visibility of their activities.

This is the rationale behind the reports on Transparency in Corporate Reporting or TRAC reports developed by TI. As a part of this global effort, TI-DK has conducted a study of 30 of the largest Danish companies, 20 of which were chosen based on their market value on Market Cap on NASDAQ (as of February 15 2016) and 10 are non-listed chosen based on their annual revenue according to Berlingske Business 2015 Guld 1000 (as of November 2015). In both categories companies needed to have significant international operations.

As one of the few countries in the world, Denmark requires Danish companies to publish an annual report on their Corporate Social Responsibility (CSR) efforts. These reports have to contain information on policies, implementation, result measuring and future expectations of CSR. We collected data disclosed on each company's public website (English language version) and used this for assessment. The degree of detail in these reports, vary from one company to the other. And it is published at the discretion at the company, depending on their interest in anti-corruption practices.

1) http://www.transparency.org/whatwedo

2) http://www.transparency.org/country/#DNK

Although comprehensive and transparent reporting on anti-corruption policies does not ensure that a company refrains from corrupt practices, it is certainly a strong indicator. Moreover, it serves as a signal of commitment and willingness to act against it, and can be used to detect and act on variance from such policies.

With this report, TI-DK documents the current level of reporting on corporate anti-corruption in Denmark, and give suggestions on where improvements can be implemented.

Executive summary

In accordance with the TRAC methodology, the study has focused on three main dimensions of transparency. The results show what the largest Danish companies report on their efforts of fighting against corruption and for transparency. From an analysis of publicly available information on the English language websites of each company, 20 of Denmark's largest listed and 10 largest non-listed companies with significant international operations have been rated along the following three dimensions:

1. Their *anti-corruption programmes*
2. Their *organizational transparency*
3. Their reporting of key financial figures on a *country-by-country basis*

20 companies were chosen based on their market value on Market Cap on NASDAQ as of February 15th, 2016. The other 10 biggest non-listed Danish companies were selected according to Berlingske Business 2015 Guld 1000 (November 2015).

5 of the 20 listed companies that were part of our 2014 report are not part of the selection for the 2016 report. Some have closed down operations in some countries, so they were not international enough and some have seen their market cap decrease. 15 out of 20 listed companies were thus included in both TRAC reports.

The analysis was based on a questionnaire (the 2014 TRAC Codebook was used also for the 2016 report) containing a number of questions on every dimension, with each company being scored according to the content of publicly available information. The information used was limited to any text, links or reports available through the English portion of the companies' websites. After an initial data collection process, the companies had three weeks to review their scores on each question, provide feedback or add information. Many companies participated actively throughout the process.

The questions for each dimension can be found in annex 2 and the results for all dimensions can be found in Annex 5.

Since the same Codebook was used for the 2014 and 2016 reports, we can compare the results of the 15 companies, which participated in both the 2014 and the 2016 TRAC, to determine if there is a development in the reported transparency.
In general, Danish companies ranked relatively high on their transparency, compared to TRAC reports from other countries and for global reports. Although many have anti-corruption programmes and disclose parts of their organizational structure, there are various areas for improvement. There is still substantial room for improvement on transparency in reporting country-by-country results..

The findings in this report are relevant for all Danish companies that want to improve reporting on transparency, not just the ones included.

Anti-corruption programme transparency

Although most Danish companies report on several aspects of their anti-corruption programmes, there is still room for improvement. The most common drawback was a lack of reporting on training and monitoring of anti-corruption programmes, where companies scored

the lowest. However, the companies were strong at reporting concerning their commitment to comply with anti-corruption laws and stating non-tolerance for corruption.

The study was conducted based on publicly available information. It does not represent a verification of the companies' anti-corruption programmes, but only their *reported* strength. Furthermore, the need for information to be explicit and public led to some companies scoring lower, as implicit statements and assumptions do not count in the rating.

Organizational transparency – subsidiaries and other ownership interests

The criteria in this section were the same as the one in 2014, and even though the companies performed well in 2014, this year they registered outstanding results. In order to receive full points, a full list of subsidiaries and non-fully consolidated holdings had to be disclosed.

Country-by-country reporting of key financial figures

This dimension showed the poorest results for all companies. Only eight out of 30 companies scored above 0%, meaning that 22 companies do not disclose relevant country-by-country information. Most of the disclosed information seemed arbitrary, and was usually limited to a few key countries. Moreover, the scoring on this dimension seems to be inversely correlated to the companies' number of countries of operations.

Several companies publish financial figures by region, which is a requirement under the accounting regulation, but since a region typically consists of several countries, this does not add to the score, although it presents an important step towards transparency in their country-by-country reporting.

Comparison with TRAC 2014 results

As previously mentioned there are 15 companies included in both the TRAC report of 2014 and 2016. All of these 15 companies have increased their overall score in comparison to 2014. The biggest and very remarkable leap equals 30 percentage points and was achieved by one of the leaders: Danske Bank. A leap of 18 percentage points was achieved by Novo Nordisk and Novozymes, while Vestas Wind Systems shows the smallest improvement of only two percentage points.

Comparison of listed and non-listed companies

Only five out of 10 non-listed companies score above the overall average score of 56% while 14 out of 20 listed companies exceed this average. The average combined score of only non-listed companies is actually 49% whereas the average combined score of only listed companies is 59% and therefore 10 percentage points higher. The non-listed companies' performance is consequently below that of the listed companies. The higher regulatory pressure on listed companies probably impacts these differences. Nevertheless, two of the five leaders in 2016 reaching 67% are non-listed companies: Arla Foods and Lego. Transparency in reporting is therefore also of interest for non-listed companies. It can be assumed, that Arla Foods' and Lego's outstanding scores are based on the companies' genuine interest and awareness for the importance of transparency in reporting.

Recommendations

In the following paragraphs, the focus is set on potential recommendations, which offer potential solutions regarding improved transparency reporting as well as diminishing corruption practices, from the perspectives of various stakeholders. The findings are deduced from the results of TRAC 2016 report.

Recommendations to Companies

Prepare for the threats of going global and operating in different countries
The largest Danish companies have been operating at a global level for a number of years, thereby being exposed to high levels of competition and worldwide threats regarding corrupt practices. Therefore, it is important that companies identify those potential conflicting situation and define strict and explicit guidelines for the exposed and hesitant employees.

Make policies and code of conducts visible to employees in a common language
In relation with the above situation, because companies are now more globally exposed they will have a more diverse talent pool, with different cultures and backgrounds. Therefore, it is important to have the policies and the code of conduct translated in all languages spoken in the company as well as in a common one. Here it is important to highlight the translation, since it can sometimes be tricky so it should be done by professionals in order to create consistency throughout the multinational organisation.

Train employees in order to increase the impact of their policies
It is not only necessary to have policies and a code of conduct in place, consistent trainings need to be conducted, in order to really engage employees in ethical behaviour. Additionally through training, some concerns can be resolved and everybody is more aligned of what the company expects.

Continuously review and strengthen the anti-corruption practices
The only constant is change. Therefore in order to stay accurate and really assess if the policies in place are making a differences, companies should periodically review their practices and make modifications accordingly.

Engage in making financial information of every country available
If companies would engage more in publishing information about their financial status in companies, they could help local economic development and disable the potential use of financial statements to hide or modify information.

Assign a compliance team or create a compliance department
If there is a group of people or a department in charge of topics concerned with unethical behavior, information and knowledge will be more easily transferable. Additionally, by having such teams in place, there is a higher probability of breeches being reported and fewer incentives to act unethically.

Join the United Nations Global Compact or a similar anti-corruption initiative
The UN Global Compact is not only about making a difference in one specific company, by joining, organizations are setting an example and potentially incentivizing other to join as well.
In order to create a fairer and more transparent world, there must be joint cooperation in the subjects covered by the 10 principles of the UN Global Compact.

Recommendations to the Danish Government

Set an example and induce transparency behavior in order to increase trust
Public institutions are the backbone of civilization thus, of societies and organizations. Therefore, it is essential that governments are accountable for their actions and set a positive example to the people and companies. Additionally, governments can create more trust by being transparent, because people will be certain that they will defend their best interests.

Approve legislation that will require companies to share information
One of the mechanisms through which governments can increase transparency, is by creating more strict and formal legislations concerning transparency in companies. Especially in the financial aspects, governments can play a decisive role in what companies need to disclose.

Reward companies who promote best practices
Another potential mechanism to induce ethical behavior is through promoting those, who have done so voluntarily and continue to demonstrate commitment to reduce unethical practices. This will not only make other companies engage in anti-corruption, but employees of the appraised companies will feel more engaged.

Recommendations to Civil Society and Civil Society Organizations

Investigate companies and make no assumptions
As a citizen, people should investigate the products and brands commonly used and assess if they are actually engaged in anti-corruption. If more people were to do this, companies would be pressured to disclose more information and to not let customers down by acting wrongfully.

Demand higher transparency and more financial information
It is not only important to research companies, but also to demand more information. Especially, the one related to financial reports where information can easily be hidden.

Demand more legislations regarding ethical behavior
It is important to demand from the government to pass more legislation concerning corruption and unethical practices. It is also very important that they are bound by law to disclose financial information.

Recommendations to Investors

Demand corporate reporting information
Investors, with a private and institutional nature, should demand information concerned with anti-corruption programmes, organizational transparency and country-by-country reporting. In order to make an informed decision this information should be analyzed carefully and no room for interpretation or assumption should be left.

Add information about ethical practices into investment risk ratings
Not only the potential financial liability of the investment should be taken into consideration but guidelines or no guidelines concerning transparency should also decrease or increase the risk ratings accordingly. Furthermore, corruptive or unethical behavior can have higher unexpected costs or problems that any other financial setback.

Establish standardized forms of accounting and financial reports to ensure the maximum transparency between the two parties
There are many international guidelines in place that can be adopted or can be proposed in agreement of this nature. This will not only benefit the investors, but also the company, governments and civil society.

Rationale & methodology

The methodology used for the TRAC 2016 is devised and developed by the TI Secretariat in Berlin (TI-S). The methodology is described in detail in 'Nationalising Transparency in Corporate Reporting: Toolkit for National Chapters' by Santhosh Srinivasan, from here on called the Codebook. The following section will describe the process and methodology of conducting the Danish TRAC report 2016.

Out of 30 companies, 20 companies were chosen based on their market value on Market Cap on NASDAQ CPH on February 17th, 2016. The other 10 biggest non-listed Danish companies were selected according to Berlingske Business 2015 Guld 1000 (November 2015). Companies had to fulfil the following three criteria in order to be assessed:

For the 20 listed companies:
1. Internationality: Active in at least 4 countries
2. Nationality: HQ in Denmark
3. Social Relevance: At least 50 employees
4. Size: 20 biggest according to market capitalization (NASDAQ CPH 17th of February 2016)

For the 10 listed companies:
1. Internationality: Active in at least 4 countries
2. Nationality: HQ in Denmark
3. Social Relevance: at least 50 employees
4. Size: 10 biggest according to Berlingske Business 2015 Guld 1000

Table 1: Listed and non-listed companies

Listed Companies
A P Møller Mærsk
Carlsberg
Chr. Hansen Holding
Coloplast
Danske Bank
DFDS
DSV
FLSmidth & Co.
GN Store Nord
ISS
Lundbeck
Novo Nordisk
Novozymes
Pandora
Rockwool International
Royal Unibrew
Scandinavian Tobacco Group
SimCorp
Vestas Wind Systems
William Demant Holding

Non-listed Companies
Arla Foods
Danfoss
Danish Agro
Danish Crown
Dansk Supermarked Group
DLG
DONG Energy *
Grundfos
LEGO
United Shipping & Trading Company

** DONG Energy is planning to list on the Copenhagen Stock Exchange on June 9 2016, i.e. just prior to the date of issuance of this report.*

Some listed companies that were included in 2014 were not part of the selection this time, mainly having closed down operations in some countries, so they were not international enough or their market cap had decreased relatively. 15 out of 20 listed companies were included in both the 2014 and 2016 TRAC reports.

While conducting the data collection, Transparency International did not test the validity of claims or completeness of the information published. No judgments were made about the integrity of information or practices disclosed. Furthermore, all data collected was revalidated by a second examiner, which helped to evaluate companies without bias, and led to a high level of objectivity in the study.

The methodology was distributed to companies before the study took place so that companies could prepare and review their public information at their own discretion. The results from the initial data collection were shared with each of the companies, giving them the opportunity to review their results, provide feedback, and adjust their public information. The CEMS team working on this report noted a high degree of cooperation by the companies.

The study measures three dimensions of corporate reporting:

- Their *anti-corruption programme*, including top management involvement, their position on training and monitoring, bribery, facilitation payments, whistle-blower reports and protection as well as political contributions (13 questions)

- Their *organizational transparency* of the companies, namely the disclosure of all ownership interests in subsidiaries and non-fully consolidated holdings, as well as countries of incorporation and operations (8 questions)

- Their reporting of key financial figures on a *country-by-country* basis, including revenues, capital expenditures, taxes and community contributions (5 questions)

The data collection was done according to the Codebook. This document has good inspiration for where to find the relevant sources to support the scoring done across the three dimensions. Sources have to be online and on group level webpages – ethic guides and codes of conduct cannot be considered if only available on subsidiary webpages. To ensure a certain standard and uniformity across the 30 companies, the team divided the task. Three persons did the main data researching, while one person did the scoring based on the sources for all 30 companies to ensure consistency.

Finally, the data was assessed and analysed, thus leading to individual rankings for each dimension as well as an overall transparency index.

Reporting on Anti-Corruption Programmes

Reporting on Anti-Corruption Programmes

In the fight against corruption, anti-corruption programmes present important tools for companies. Especially firms operating in an international environment face a variety of unfamiliar situations that involve corruption in its different forms. Anti-corruption programs are therefore essential guidelines that companies can relate to. Full and transparent disclosure of such programmes shows a company's commitment to anti-corruption, and emphasizes ethical behaviour among directors, managers, employees, suppliers, agents and other parties involved throughout the company's value chain.

The *Reporting Guidance on the 10th Principle against Corruption*[3], which was established by the UN Global Compact and Transparency International in 2009, includes clear recommendations on the aspects of a company's anti-corruption programmes, which should be publicly disclosed. This Reporting Guidance was derived from the *Business Principles for Countering Bribery*[4] and provides companies with structured and comprehensive information concerning thorough and consistent reporting.

It is important to mention that in comparison to 2014, 10 new non listed-companies were added to the project, as well as 5 new listed ones. Due to the usage of the same methodology (Codebook 2014), the TRAC team was able to compare 2014 results to those in 2016. Hence, notice if any progress has been achieved by the 15 listed companies that participated in 2014, but also to compare the behaviour of listed and non-listed companies, regarded to reporting on anti-corruption programmes.

Box 1: Is Reporting on Anti-Corruption Programmes meaningful?

As this study analyzes the reporting on anti-corruption programmes and not the actual compliance with individual elements, it might be argued that only the surface of a company is looked at. Although recognizing that reporting and compliance are not the same, there are important arguments that emphasize the importance of transparent reporting.

- Companies face immense legal and reputational risks if publishing false information
- Through public commitments, companies are accountable to all its stakeholders and the general public
- Transparency enables stakeholders and the general public to facilitate monitoring and detect possible discrepancies between reporting and compliance
- Emphasizing transparency in reporting supports and promotes good behavior
- International companies with transparent reporting of anti-corruption measurements set clear signs for employees worldwide as they communicate their attitude towards, and emphasize the importance of ethical behavior

3) www.unglobalcompact.org/docs/issues_doc/Anti-Corruption/UNGC_AntiCorruptionReporting.pdf

4) www.transparency.org

Company results

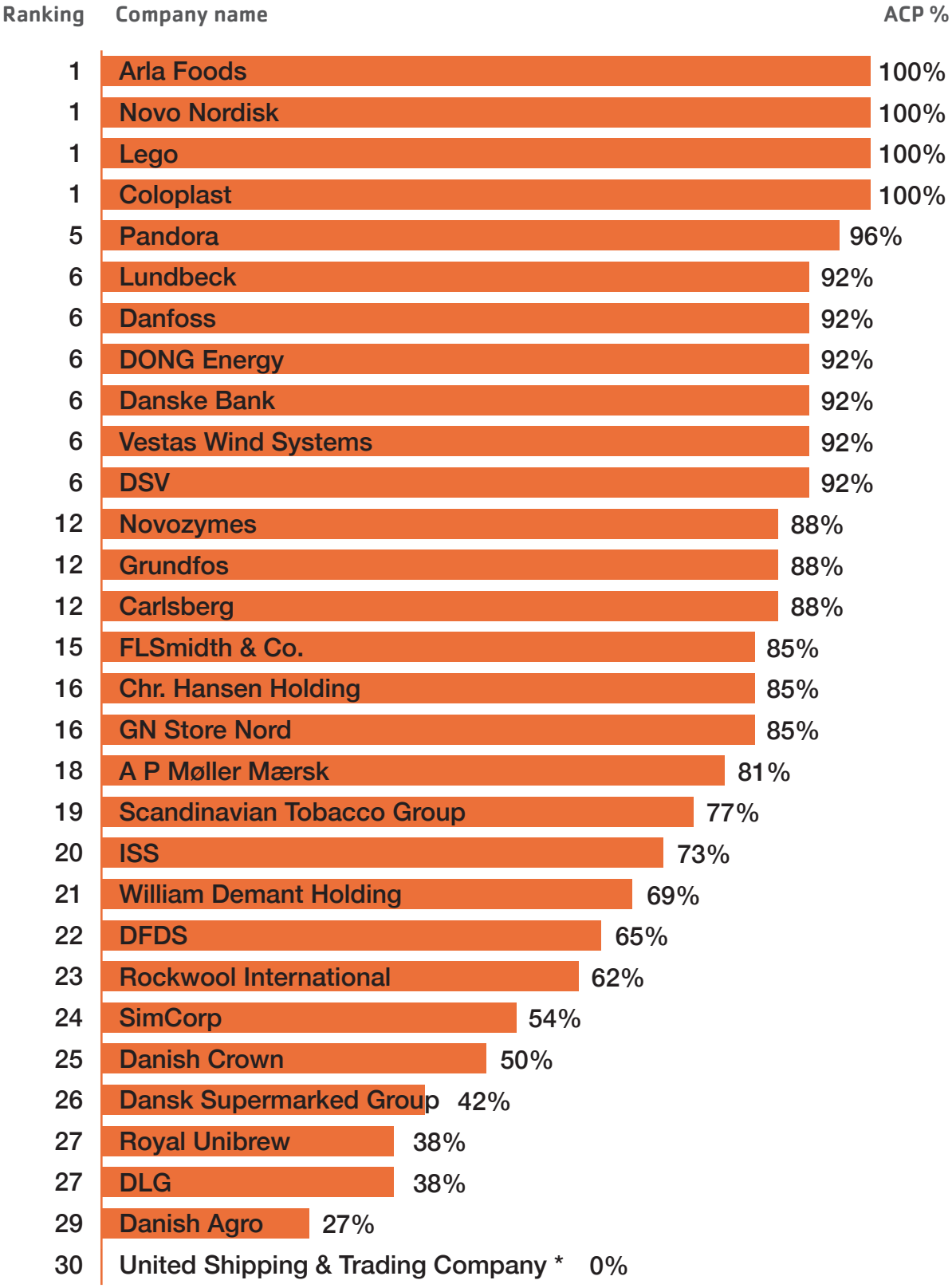
Results for the companies' reporting on anti-corruption programmes are shown in Table 2. The average score in this dimension was 75%. Which is an improvement of 12 percentage points compared to the 2014 average of 63%. The questionnaire used for the 2016 TRAC report was the same as for the 2014 report (Codebook 2014), which allowed a direct comparison of the repetitive sample of companies.

This year, four companies share the top score in this dimension with 100% Novo Nordisk, Lego, Coloplast and Arla Foods. In total, 19 companies scored 77% or higher and 26 companies achieved 50% or more. At the bottom of the list is United Shipping & Trading Company, which has no publicly available information on its anti-corruption programme and therefore got a score of 0%.

Generally, there is no clear correlation between the listed and non-listed companies and their ranking. Even though two non-listed companies are amongst the top-performers (Arla Foods and Lego) and another three score above 88% (DONG Energy, Danfoss and Grundfos), the last 5 (United Shipping & Trading Company, Danish Agro, DLG, Dansk Supermarked Group and Danish Crown) are at the bottom of the list scoring below 50%.Thus, this small sample can give no significant explanation in variation on reporting amongst listed and non-listed companies.

Table 2: Reporting on Anti-Corruption Programmes

Reporting on Anti-Corruption Programmes: Company Ranking



** One reason for the low United Shipping & Trading Company score is that it has very little information at group level. The company operates several subsidiary websites that report independently. As mentioned above, the TRAC is concerned with information found at group level, and cannot take subsidiary reporting into account*

Taking a closer look at the results of individual questions, Table 3 shows that companies scored best on its commitment to comply with all relevant laws and the question relating to zero-tolerance towards corruption, including anti-corruption laws. Out of 30 companies, 28 made this statement. One reason behind it is that 15 companies have already participated in the TRAC report in 2014, but also since 2014 TI has managed to raise awareness regarding anti-corruption practices. The question that scored second best within this dimension with 26 companies scoring 1 point, looked for a statement that shows whether companies encourage employees to report suspicious behaviour and that there would be no retaliation should an employee decide to report (whistleblower).

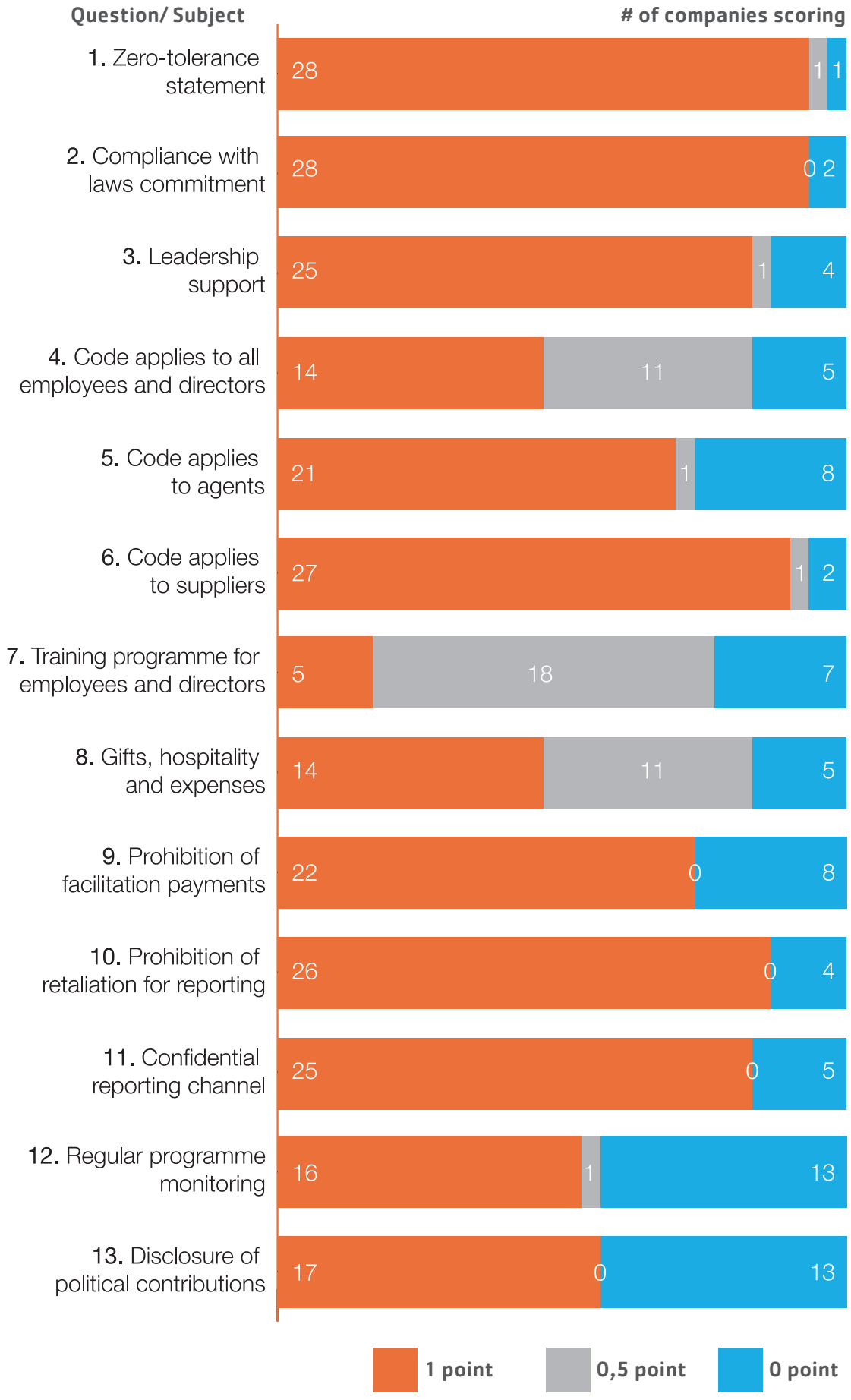
As shown in Table 3, companies scored worst on anti-corruption training programmes for employees and directors. Just five companies have achieved a full score (compared to 1 in 2014). This question includes the specific mention of directors, and while many companies mention training for employees, many fail to mention directors or that the trainings are specifically directed towards anti-corruption practices. As it is important that the whole company knows how to fight and deal with corruption, TI Denmark advises companies to also train directors in anti-corruption issues, and to publicly disclose this information.

Responses to the question asking if non-controlled persons or entities that provide goods or services have to follow a Code of Conduct has improved substantially since 2014, while in the 2014 TRAC report just 7 companies wrote that the code of conduct applied to the suppliers, this year 27 companies have scored a full point, making it one of the questions with the highest score. This could be considered an incremental improvement since companies, who participated in the 2014 TRAC have managed to align within two years the code of conduct with their suppliers.

A question on which companies have performed relatively poorly is question 8 about gift, expenses and hospitality. Only 13 companies mention the threshold and that explicitly prohibits acts of gift giving or receiving. While others offered unsatisfactory answers such as: gifts can be received under special terms, since we are an industry which promotes gift giving etc. Which is rather lamentable, because the border between a gift and a bribe is very thin, and without explicitly stating opposition for this kind of behaviour, companies cannot be awarded 1 full point.

Table 3: ACP Analysis by Question

Reporting on Anti-Corruption Programs: Analysis by Question



Reporting on Organizational Transparency

Reporting on Organizational Transparency

Organizational Transparency is the dimension of the methodology, which evaluated the fully consolidated and non-fully consolidated holdings of the companies. Here the companies have to provide publicly available information about the name, percentage of ownership, country of incorporation and countries of operations for each of their subsidiaries. The goal of this dimension is to assess the global presence of the evaluated company and to have an oversight of the network of companies the companies has in place.

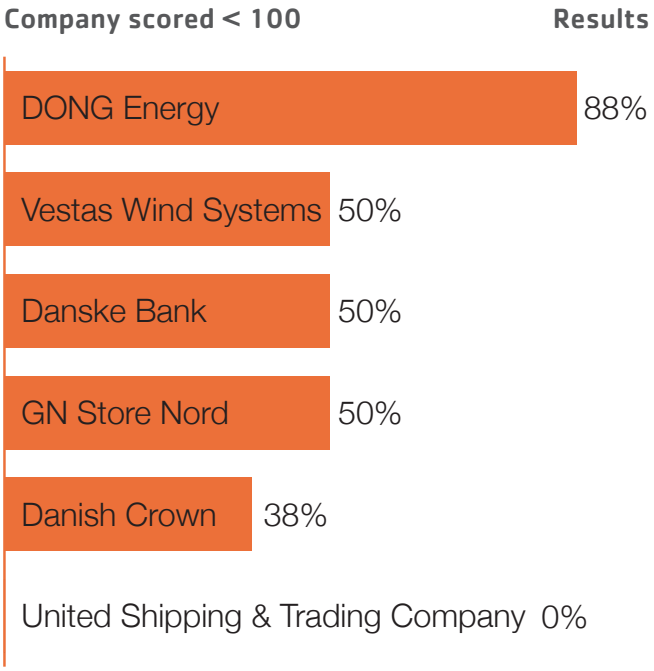
Company Results 2016

The results for this dimension were among the best for companies, having an average score of 89%. From the thirty participating companies 24 obtained a full score. The other companies who didn't obtain a full score reached a score between the 50% and 90%. Except for two companies who performed poorly in this category with scores of 38 and event 0%.

Table 4: Companies scoring 100% in OT

Companies who scored a 100%
Arla Foods • Carlsberg • Chr. Hansen Holding • Coloplast • Danfoss • Danish Agro • Dansk Supermarked Group • DFDS • DLG • DSV • FLSmidth & Co. • Grundfos • ISS • Lego • Lunbeck • A P Møller Mærsk • Novo Nordisk • Novozymes • Pandora • Rockwool International • Royal Unibrew • SimCorp • Scandinavian Tobacco Group • William Demant Holding

Table 5: Companies scoring below 100% in OT



Country-
by-Country
reporting

Country by country reporting

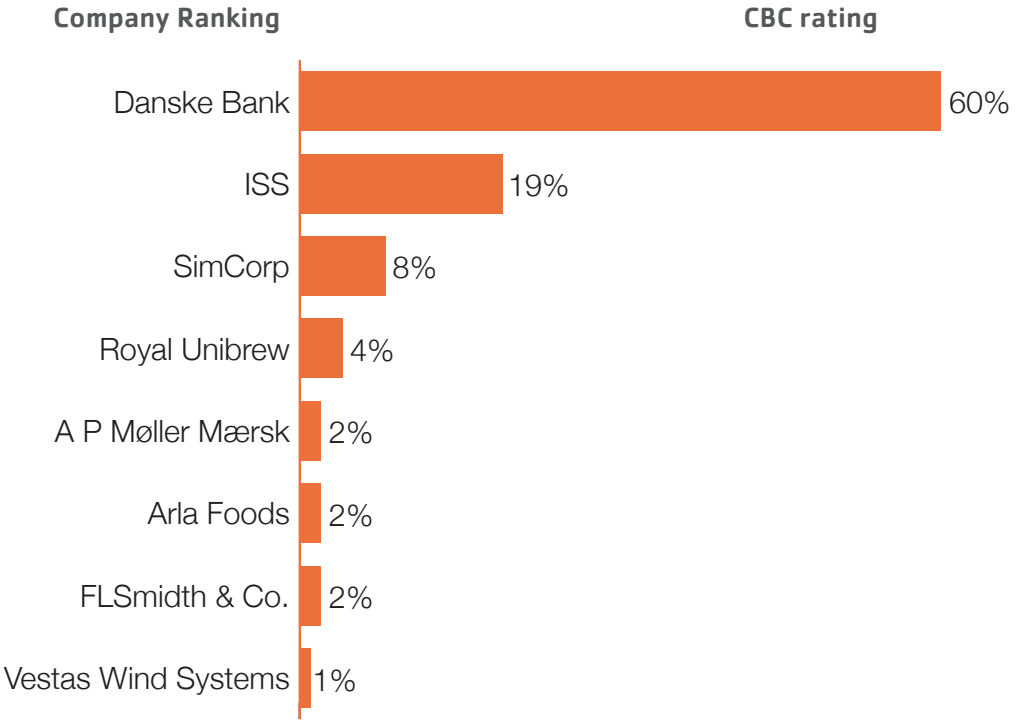
The driver behind the demand for country-by-country reporting is to expose the link between the parent company and the local jurisdiction in which it operates, making companies accountable in both places. It provides a platform for comparison between companies operating in a particular country, making it possible for citizens to monitor the appropriateness of payments towards the governments. Furthermore, country-by-country reporting allows transparency on any special arrangements between governments and companies, resulting in greater accountability for both parties. It also, ensures disclosure of all holdings, material and non-material. Key financial data would give citizens the possibility to understand activities of a particular company in their country and to monitor the appropriateness of their payments towards governments.

The country-by-country reporting will have more focus in potential European legislation. The European Union (EU) has rules on country-by-country reporting which will require businesses in the extractive industries to disclose their payments to governments in relation to exploiting natural resources[5]. The Directive 2013/36/EU issued in 2013 also requires EU credit institution to report country-by-country[6]. Moreover, on April 12th 2016 a proposal introducing yearly reporting for multinational companies on profit, tax paid and other information on a country-by-country basis was adopted by the EU Commission[7].

Danish companies scored relatively low in the country-by-country section, which evaluates the country-by-country disclosure of international operations within the sample of 30 companies. An industry-neutral set of criteria was used to measure the financial reporting by country concerning revenues, capital expenditure, pre-tax income, income-tax and community contributions.

Company results

Table 6: Country by country reporting – positive scores



5) http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm Retrieved 15 May 2016

6) http://ec.europa.eu/justice/civil/company-law/corporate-governance/index_en.htm Retrieved 15 May 2016

7) http://ec.europa.eu/finance/company-reporting/country-by-country-reporting/index_en.htm Retrieved 15 May 2016

Table 7: Country by country reporting – zero scores

Companies scoring 0%
Carlsberg • Chr. Hansen Holding • Coloplast • Danfoss • Danish Agro • Danish Crown • Dansk Supermarked Group • DFDS • DLG • DONG Energy • DSV • GN Store Nord • Grundfos • Lego • Lundbeck • Novo Nordisk • Novozymes • Pandora • Rockwool International • Scandinavian Tobacco Group • United Shipping & Trading Company • William Demant Holding

As shown in Table 6 and Table 7, this is by far the weakest dimension with only eight out of 30 companies achieving a result above 0%, meaning that 22 companies do not disclose relevant country-by-country information. Danske Bank achieved the highest score of remarkable 60%. In total, just two companies scored a two-digit figure in this dimension while the scores of the remaining six performing companies lie between 1% and 8%. The scores are mainly based on reporting on total revenues for country-by-country while mostly ignoring tax and contribution reporting.

No clear connection can be found neither between the market value of a company and its ranking nor between the number of countries a company operates in and its scores. For instance, Danske Bank operates in 15 countries with a very high score of 60% whereas SimCorp, which is active in 18 countries only scores 8% and ISS being active in 62 countries scores relatively high with 19%. The argument made by many companies was, that the reporting on the different requirements of this dimension is tedious and complex therefore shows only limited viability. However, most companies simply choose to report on regions, business areas and/or major subsidiaries. Although they did not get any points for this method of reporting, it presents an important step towards total transparency in their country-by-country reporting.

In total, companies included in this study show major weaknesses in their country-by-country reporting, which mainly results from the companies actively choosing not to report financial figures for their individual countries of operations.

Comparison with Danish TRAC report 2014

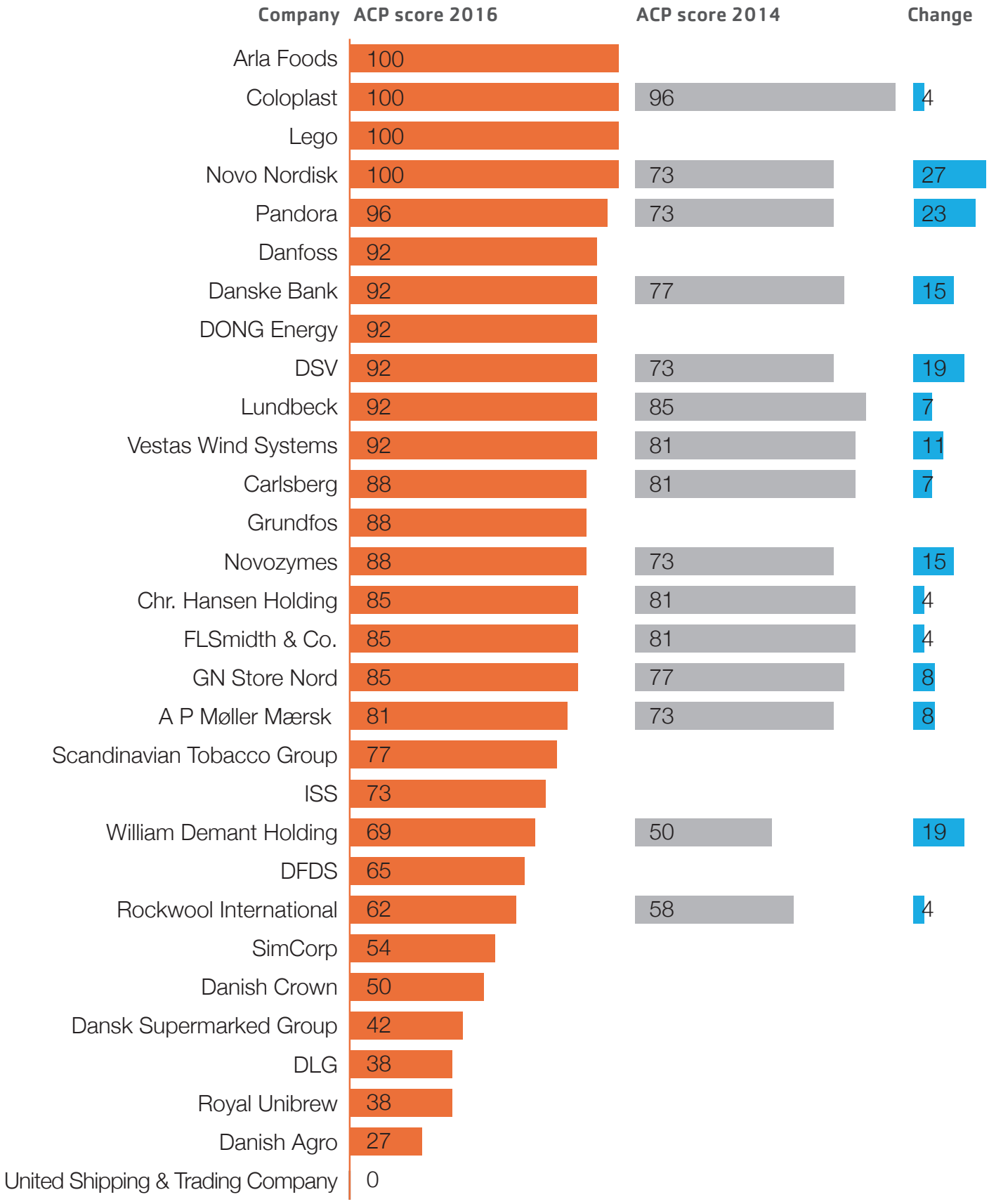
Two years ago, the first Danish TRAC report was conducted measuring the transparency in reporting of the 20 largest Danish listed companies based on market capitalization and an international presence in at least three countries (including Denmark). In contrast, this year's TRAC report assesses the 30 largest Danish companies with international presence in at least four countries (including Denmark). The 20 listed companies are the largest according to market capitalization whereas the 10 non-listed companies were selected according to their annual revenue as stated in the Berlingske Business 2015 Guld 1000 listing. Of the 20 listed companies examined in 2014 only 15 are also part of the TRAC report 2016. Nevertheless, a comparison of the scoring in the three TRAC-dimensions gives valuable insights on the development of transparency in reporting in Denmark.

Reporting on Anti-Corruption Programmes

Compared to 2014 where only 55% of the companies explicitly prohibited facilitation payments, in 2016, 74% of the companies have proudly stated that they do not engage in any kind of facilitation payments. This once again proves that within 2 years companies have engaged in more transparent reporting, but also that non-listed companies are also opposing this kind of behaviour. Although there is still room for improvement, the Danish results in this dimension are very good.

In conclusion, TI can state that when comparing the 2016 to the 2014 results, a significant improvement can be noticed in the ACP dimension. Furthermore, two non-listed companies have scored a maximum of 100%, an unexpected but very pleasing result. Nonetheless, there is some room for improvement.

Table 8: ACP Comparison 2014-2016



Reporting on Organizational Transparency

In comparison with the TRAC report of 2014, the scores increased considerably. The average score of the whole dimension in the last TRAC Report was 67%; an increase in more than 20% in the whole category was achieved. In the TRAC 2014, the highest score obtained by companies was 75% in contrast to the 2016 report where the maximum score was 100. All of the companies who participated in the report before, except for one, increased their scores; the ones who were previously given 75% of scores increased to a 100% and of the remaining companies none obtained scores below 50%.

Table 9: Organizational Transparency comparison 2014-2016

Company	OT score 2016	OT score 2014	Change
A P Møller Mærsk	100%	75%	25%
Carlsberg	100%	75%	25%
Chr. Hansen Holding	100%	75%	25%
Coloplast	100%	75%	25%
DSV	100%	75%	25%
FLSmidth & Co.	100%	75%	25%
Lundbeck	100%	75%	25%
Novo Nordisk	100%	75%	25%
Pandora	100%	63%	37%
Rockwool International	100%	75%	25%
William Demant Holding	100%	75%	25%
Novozymes	100%	63%	37%
Danske Bank	50%	25%	25%
GN Store Nord	50%	38%	12%
Vestas Wind Systems	50%	56%	-6%

Country by country reporting

Table 10: Country-by-country comparison with TRAC 2014

Company	CbC score 2016	CbC score 2014	Change
Danske Bank	60%	10%	50%
A P Møller Mærsk	2%	1%	1%
FLSmidth & Co.	2%	0%	2%
Vestas Wind Systems	1%	0%	1%
Carlsberg	0%	0%	0%
Chr. Hansen Holding	0%	0%	0%
Coloplast	0%	0%	0%
DSV	0%	0%	0%
GN Store Nord	0%	0%	0%
Lundbeck	0%	0%	0%
Novo Nordisk	0%	0%	0%
Novozymes	0%	0%	0%
Pandora	0%	1%	-1%
Rockwool International	0%	0%	0%
William Demant Holding	0%	0%	0%

In comparison to the Danish TRAC report 2014, 15 companies remained in the sample. Of these, four companies (Danske Bank, FLSmidth & Co., A P Møller Mærsk and Vestas Wind Systems) have improved their country-by-country scores in comparison to 2014. Danske Bank sextupled its score from 10% in 2014 to 60% in 2016 clearly taking the lead in this year´s report. This development is probably due to its industry background as a financial institution on the one hand and the fact that Danske Bank is in comparison to the other scoring companies mainly active in already highly regulated markets such as the Scandinavian marketplace. FLSmidth & Co. increased its score from 0% in 2014 to 2% in 2016, A P Møller Mærsk improved its score to 2% and Vestas Wind Systems raised its score from 0% in 2014 to 1% in 2016. Unfortunately, Pandora has downgraded its score in comparison to 2014. The remaining 10 companies included in both samples have received the same score, which is only 0%.

In the sample of the Danish TRAC report 2014, five out of 20 companies achieved a score above 0% which represents 25% of the sample. In 2016, eight out of 30 companies investigated, achieved a positive score representing 27% of the sample and thus a slight improvement, which might indicate an increased awareness for this dimension. However, since the company samples are small and not even identical, the viability of this conclusion is limited.

The highest score in the Danish TRAC report 2014 of 20% was achieved by Genmab and the second highest in 2014 of 13% was achieved by Tryg which both are not part of 2016´s sample because they are active in less than four countries. Overall, the comparison of the results from 2014 and 2016 show that the highest score changed remarkably due to Danske Bank and also overall the scores themselves and the variety in scores increased in 2016.

Comparison with the global TRAC report 2014

The global TRAC survey of 2014 assessed the 124 biggest listed companies globally. Here the overall average scores was 3.8 out of 10 and specifically in ACP dimension, OT dimension and CBC dimension, the average scores were 70%; 39%; 6% respectably.
In the case of the Danish TRAC report of 2016, the overall score was 5.6 out of 10 and the average scores were 75% in first dimension, 89% in the second and 3% in the third.
When comparing the two reports, we are proud to note that Danish scores are significantly higher than in the global report. In the first dimension, the scores were relatively equal. One reasons for a higher score in Danish companies might be because that companies from regions such as Asia, who scored significantly low, bring the first dimension worldwide average score down.

In the second dimension, it can be argued that the average score of the Danish companies is considerably higher because of new EU legislation about publishing a list of subsidiaries, which was implemented in 2015. Because the global survey was performed in 2014 this information is not reflected in the global report. Additionally the new legislation would only affect companies from the EU which comprise for 35% of total companies in the global report.

In the third dimension, the worldwide score is higher than in Danish companies. This might be because the Global Report assesses more companies from the financial and oil industry who have firmer legislation in place and more pressure to disclose financial information of this sort.

Comparison of listed and non-listed companies

The Danish TRAC 2016 report for the first time includes non-listed companies. It is very valuable to include non-listed companies because they represent a significant stake in Denmark´s business environment next to listed ones. Moreover, listed and non-listed companies face different regulations which can lead to differences in reporting. Consequently, it is of interest to find out, whether there are remarkable differences in transparency reporting between the two groups of companies. However, the assessed sample of only 10 non-listed companies does not allow drawing further conclusions regarding the impact of different ownership structures.

Towards the end of the survey, it was announced that DONG Energy is expected to be listed on June 9 2016. With its score in TRAC 2016, DONG Energy is scoring well, also for a listed company.

Table 11: Combined score listed companies

Company	Combined Score
Coloplast	67%
Danske Bank	67%
Novo Nordisk	67%
Pandora	65%
DSV	64%
ISS	64%
Lundbeck	64%
Carlsberg	63%
Novozymes	63%
Chr. Hansen Holding	62%
FLSmidth & Co.	62%
A P Møller Mærsk	61%
Scandinavian Tobacco Group	59%
William Demant Holding	56%
DFDS	55%
Rockwool International	54%
SimCorp	54%
Vestas Wind Systems	48%
Royal Unibrew	47%
GN Store Nord	45%
Average	59%

Table 12: Combined score non-listed companies

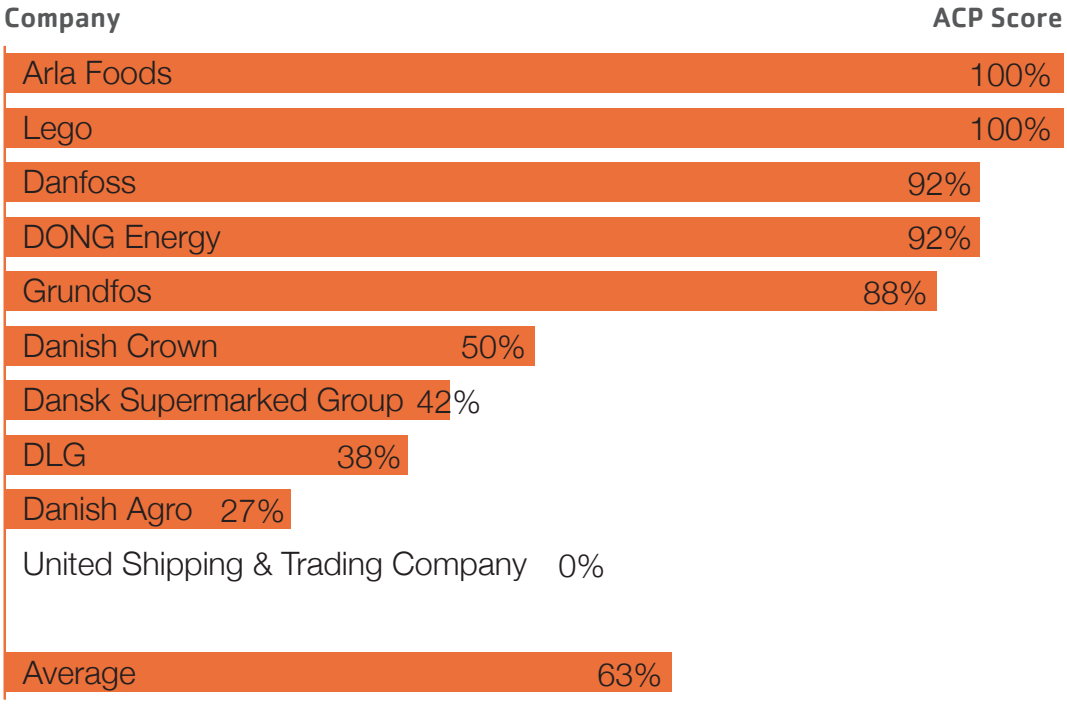
Company	Combined Score
Arla Foods	67%
Lego	67%
Danfoss	64%
Grundfos	63%
DONG Energy	60%
Dansk Supermarked Group	47%
DLG	46%
Danish Agro	42%
Danish Crown	29%
United Shipping & Trading Company	0%
Average	49%

Reporting on Anti-Corruption Programmes

Table 13: ACP Score listed companies

Company	ACP Score
Coloplast	100%
Novo Nordisk	100%
Pandora	96%
Danske Bank	92%
DSV	92%
Lundbeck	92%
Vestas Wind Systems	92%
Carlsberg	88%
Novozymes	88%
Chr. Hansen Holding	85%
FLSmidth & Co.	85%
GN Store Nord	85%
A P Møller Mærsk	81%
Scandinavian Tobacco Group	77%
ISS	73%
William Demant Holding	69%
DFDS	65%
Rockwool International	62%
SimCorp	54%
Royal Unibrew	38%
Average	81%

Table 14: ACP score listed companies



Generally, there is no clear correlation between being listed or non-listed companies and their ranking. Even though 2 non-listed companies are amongst the top-performers (Arla Foods and Lego) and another three score above 88% (DONG Energy, Danfoss and Grundfos), the last 5 (United Shipping & Trading Company, Danish Agro, DLG, Dansk Supermarked Group and Danish Crown) are at the bottom of the list scoring below 50%. On one hand, one could state that non-listed companies are not pressured by shareholders, thus they must not involve in ACP. On the other hand, Arla Foods and Lego did occupy leading positions with 100% scores. Therefore, this small sample can give no significant explanation in variation on reporting amongst listed and non-listed companies.

Reporting on Organizational Transparency

In this report 20 listed companies and 10 non listed companies were analysed. In total, the listed companies obtained a 93% average score in this category as well as 84% of the companies obtained the 100% score. In contrast, the non-listed obtained an overall average score of 83% and 70% of the companies obtained the 100% score. No major patterns were found about reasons for the differences in scores of listed vs non listed companies.

Table 15: OT score listed companies 2016

Company	CBC Score
A P Møller Mærsk	100%
Chr. Hansen Holding	100%
Coloplast	100%
DFDS	100%
DSV	100%
FLSmidth & Co.	100%
ISS	100%
Lundbeck	100%
Novo Nordisk	100%
Novozymes	100%
Pandora	100%
Rockwool International	100%
Royal Unibrew	100%
Scandinavian Tobacco Group	100%
SimCorp	100%
William Demant Holding	100%
Carlsberg	50%
Danske Bank	50%
GN Store Nord	50%
Vestas Wind Systems	50%
Average	93%

Table 16: OT score non-listed companies 2016

Company	Score
Arla Foods	100%
Danfoss	100%
Danish Agro	100%
Dansk Supermarked Group	100%
DLG	100%
Grundfos	100%
Lego	100%
DONG Energy	88%
Danish Crown	38%
United Shipping & Trading Company	0%
Average	83%

Country by country reporting

The sample of the Danish TRAC report 2016 consists of 20 listed and 10 non-listed companies. Arla Foods is the only non-listed company which received a score above zero in country-by-country reporting. Thereupon, the awareness for country-by-country reporting is lower amongst non-listed than amongst listed companies. Nevertheless, the overall performance in this dimension is very low, regardless of the listing.

The UN Global Compact and its influence on the rankings

The UN global compact aims to: *"make a call to companies to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and takes actions that advances in societal goals"*[8]. This initiative proposes ten principles that companies need to follow in their core operations and strategies. This way companies are upholding their basic responsibilities to society and the planet, and setting the stage for long-term success.

In order to evaluate the truthful commitment and impact of the UN Compact, companies must perform a yearly communication on progress (COP). This general report must contain: a letter from the CEO demonstrating the company's commitment to the initiative, a description of the activities done to support and develop the 10 principles, lastly provide the measurements of outcomes of the established actions.

Here, a special emphasis on 10th principle of the UN Compact will be made because it is related to Anti-Corruption Practices. The principle states in general: "*Businesses should work against corruption in all its forms, including extortion and bribery*"[9]. Therefore, it is safe to say that the objectives of the TRAC Report and the UN Global Compact are aligned and that most probably the results of this index are heavily influenced by the company's participation in the UN Global Compact.

In this specific report, out of the 30 ranked companies 24 are signed members of the UN Global Compact. This is a high percentage of companies, 80%, who voluntarily submit to initiative which includes anti-corruption. In order to draw more conclusion about the differences in score between signatories and non-signatories some additional tables have been prepared and the result are described in the next sections.

In table 17 and 18 the companies listed together with indication of UN Global Compact membership. In both groups 80% percent are signatories of UN Global Compact.

8) https://www.unglobalcompact.org/what-is-gc

9) https://www.unglobalcompact.org/what-is-gc/mission/principles/principle-10

Table 17: UN Global Conduct listed companies

Companies	UN Global Compact
A P Møller Mærsk	●
Carlsberg	●
Chr. Hansen Holding	●
Coloplast	●
Danske Bank	●
DFDS	●
DSV	●
FLSmidth & Co.	●
GN Store Nord	●
ISS	●
Lundbeck	●
Novo Nordisk	●
Novozymes	●
Pandora	●
Vestas Wind Systems	●
William Demant Holding	●
Rockwool International	●
Royal Unibrew	●
Scandinavian Tobacco Group	●
SimCorp	●

Table 18: UN Global Compacted non-listed companies

Company	UN Global Compact
Arla Foods	●
Danfoss	●
Danish Agro	●
Danish Crown	●
DLG	●
DONG Energy	●
Grundfos	●
Lego	●
Dansk Supermarked Group	●
United Shipping & Trading Company	●

● Yes ● No

None the less when comparing the overall signatories versus the non-signatories in the TRAC report some noticeable differences appear. Table 19 offers a comparison of the scores per dimension and overall. For the overall score there a difference of 15% between the signatories and non-signatories. In the ACP dimension the two groups show quite different. The UN Global Compact signatories have a score of 82% in this category, in contrast to non-signatories that have an average score of 46%. The difference is 36%. The other two dimension scores are quite similar. We have therefore made a detailed analysis of the ACP scores per question.

Table 19: Dimension Results of signatories vs. non-signatories

Dimension	Signatories	Non-Signatories	All companies
# companies	24	6	30
% of companies	80%	80%	80%
ACP	82%	46%	75%
OT	91%	83%	89%
CbC	4%	2%	3%
Overall	59%	44%	56%

In table 20, there is an analysis of dimension one, showing variations in score between UNGC signatories and non-signatories. There are some significant variations for some questions: Q3 (Leadership support), Q13 (Political Contributions Policy), Q12 (Regular Monitoring) and Q9 (Facilitations Payment Policy). Because the UN Compact asks for an annual communication on progress report the participating companies are reviewing their practices and developing new techniques and policies to make their employees engage more in ethical practices periodically. Question 13[10] is also a UN Compact concern, because, they do not support any kind of bribery and if a policy about political contributions does not exist, it may be perceived as an inducement. Additionally by not stating a policy concerned with political contributions it may be hiding important information to the consumers. Another question that has a high variation between signatories and non-signatories is number three. UN compact participating companies CEO needs to show support for the initiative and demonstrate the engagement of the company. Therefore, obviously the same engagement shown for the UN initiative can be translated to the overall support of anti-corruption usually with a letter of commitment in the annual report.

Concluding, The UN Global Compact does have an impact in companies and makes them act more transparent, engage more in ethical behavior, create policies that will reduce ambiguity and long term commitment to erase unethical behavior from their operations and embedded industries as well.

Table 20: Question Analysis 1st Dimension – signatories vs. non-signatories

Q	Subject	Signatories	Non-signatory	Variation
1	Anti-corruption statement	98%	83%	15%
2	Compliance with revelant laws	96%	83%	13%
3	Leadership support	98%	33%	65%
4	Polcies apply to all employees	69%	42%	27%
5	Policies apply to companies representative	81%	33%	48%
6	Policies apply to third person	96%	75%	21%
7	AC training program	50%	33%	17%
8	Gifts, hospitality and expenses policy	71%	42%	29%
9	Facilitation payments policy	83%	33%	50%
10	Employees raise concern without retaliation	92%	67%	25%
11	Whistleblowing cannel	92%	50%	42%
12	Regular Monitoring	71%	17%	54%
13	Political Contributions Policy	71%	0%	71%

10) https://www.unglobalcompact.org/what-is-gc/our-work/governance/anti-corruption

The Importance of explicitly mentioning directors

During the course of the TRAC 2016 the research team had thoughtful and interesting communications with many of the companies involved. A lot of discussion focused on the scoring of dimension one. Especially question four and seven were ground for discussion.

Many companies argued, that their directors are employees of the company and so there is no need to mention directors specifically to get a full point (instead of the half point most scored). There are several reasons why TI still need to insist on the specific mention of directors (directors=board of directors=supervisory board).

First of all the TRAC methodology is used worldwide to assess companies and potentially infer trends and tendencies across borders or industries. Constructing a methodology for a global purpose will often mean fit is compromised on a local level. It is more important that TI is able to make global, regional, or cross industry comparisons, than the need to closely fit local conditions.

But there is a more important reason why the explicit mention of directors is still highly relevant in the Danish TRAC. Denmark has a 2-string management system:

1. Directors appointed/hired by the board of directors. These directors are employed by the company.
2. Board of directors elected at the annual general meeting by shareholders. They are as such not employees.

Discussion with Santhosh Srinivasan confirmed that the methodology have both strings in mind when asking for the explicit mention of directors. That is TI is looking for both contracted and elected directors. Directors elected at the annual general meeting also need to be made aware of ACP and included in training. Since Danish companies does not include elected directors as employees, mentioning 'all employees' does not mean 'all directors' are included. So the practice of insisting that directors be mentioned will continue.

Box 2: Different scoring for mentioning directors explicitly

The following two questions (Q4 and Q7) of the first dimension are scored differently depending on whether directors are explicitly mentioned in addition to employees or not.

4) Does the company's code of conduct / anti-corruption policy explicitly apply to all employees and directors? Directors = Board of Directors = Supervisory Board

- 1,0 point: If the policy explicitly mentions that it applies to all employees and directors, regardless of their position in corporate hierarchy. There can be no exceptions for any country of operations
- 0,5 point: If the policy applies to all employees, but does not explicitly mention directors
- 0 points: If there is no explicit statement that relevant policies apply to all employees and directors. If policies apply to a selected group of employees only, i.e., to managers.

7) Does the company have in place an anti-corruption training programme for its employees and directors? Directors = Board of Directors = Supervisory Board

- 1,0 point: If the company states in public documents that such a programme is in place for employees and directors (the reference to the training programme may focus explicitly on training on the anti-corruption policies, but it can also refer to training on the code of conduct, if it includes anti-corruption provisions).
- 0,5 point: If the company states in public documents that such a training programme is in place for employees, but not for directors (or vice versa). If there is public information about a training programme for employees and directors on all ethical/integrity issues, and from other sources, we can infer, that it includes anti-corruption policies.
- 0 points: If there is no public reference to such a training programme.

Annex 1 – Methodology

Company Selection

Companies were chosen for the research based on market value based on NASDAQ CPH as of February 17th 2016 if listed and size according to the Berlingske Business 2015 Guld 1000 List if not listed, international operations in at least four countries and headquarters in Denmark. All companies except for Danish Agro confirmed the data collected thus providing a high validity to the data collection process.

The study disregarded industry and sector considerations in the process of company selection. All companies were contacted on March 3rd 2016, informing them about the study that will take place and later the applied methodology.

Data collection and verification

All data was collected by desk research conducted between February 12th 2016 and March 5th 2016. The sources included corporate websites and the relevant links and documents directly accessible through the corporate websites in English. The research team recorded data, screenshots, and the exact sources (e.g. corporate documents with page numbers or websites with dates of when the data was downloaded). The research was based on the latest available documentation. All data points collected were independently validated by a second researcher and finally verified by TI management to ensure high degree of validity and objectivity.

The questionnaire covered a series of questions designed to determine commitment to transparency in corporate reporting. It covers issues divided along three dimensions:

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

The first dimension stems from the UN Global Compact Reporting Guidance on the 10th Principle against Corruption. It consists of 13 questions; each scored between 0 and 1. The maximum score for this dimension is 13 points. The final score for this dimension is expressed as percentage of the maximum possible score (between 0 and 100 percent).

The second dimension evaluates the level of disclosure among fully and non-fully consolidated entities and consists of 8 questions. For all subsidiaries and economic entities reporting on percentages owned by the parent company, countries of incorporation and countries of operations were assessed. Each question was awarded between 0 and 1 point. The maximum score in organizational transparency is 8 points. Companies that do not have any non-fully consolidated entities were evaluated on their disclosure of fully consolidated entities only (max. 4 points).

The third dimension, country-by-country reporting, consists of 5 questions that aim to assess companies' willingness to disclose financial data in countries it operates in. The maximum score per country is 5. The full set of five questions is applied to each country of operations. Once all countries are rated for country-by-country reporting, a total score per country is calculated by adding up the scores received on each of the five questions. The individual country scores are aggregated and then divided by the number of countries to re-

ceive the average score per country. The final result in country-by-country reporting is then expressed as a percentage of the maximum possible score (5 points per country).

Data sharing and verification

During the process of result reviews and feedback, a number of companies challenged the merits of disclosing this data. Many companies claimed that disclosing their data for a large number of countries they operate in would be too tedious and prohibitively expensive. However, even the countries with small number of operations did not disclose information on these matters. Some of the companies decided to publish the data broken down per major markets or per regions. We considered this to be a positive step towards a right direction and a signal of future compliance.

Form 21st March 2106 onwards, the preliminary results were sent out to the companies. Each company was given the opportunity to review its own data and to provide feedback, propose corrections or update their publicly available information until 15th April 2016. The companies were asked to review the collected data in order to add an additional layer of objectivity and accuracy as well to provide the opportunity for an update or dispute of data. Of the 30 companies, 84% used the opportunity to provide feedback. All requests for corrections and supplementation of publicly available data were analyzed and discussed by the research team with careful deliberation and, if valid, adjusted.

Transparency International, Denmark chapter and the TRAC team from CEMS programme wishes to express the utmost appreciation for the collaboration of the companies, their CSR and compliance managers and their willingness to cooperate in order to ensure compliance and best practices in their disclosure policies wherever possible. As a result of this ongoing process, a better understanding of diverse reporting practices and standards was gained and the foundations for better cooperation toward transparent reporting were set.

Annex 2 – Questionnaire

I. Reporting on anti-corruption programs (ACP)

1. Does the company have a publicly stated commitment to anti-corruption?

2. Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws?

3. Does the company leadership (senior member of management or board) demonstrate support for anti-corruption?

4. Does the company's code of conduct / anti-corruption policy explicitly apply to all employees and directors?

5. Does the company's anti-corruption policy explicitly apply to persons who are not employees but are authorized to act on behalf of the company or represent it (for example: agents, advisors, representatives or intermediaries)?

6. Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)?

7. Does the company have in place an anti-corruption training programme for its employees and directors?

8. Does the company have a policy on gifts, hospitality and expenses?

9. Is there a policy that explicitly prohibits facilitation payments?

10. Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?

11. Does the company provide a channel through which employees can report suspected breaches of anti-corruption policies, and does the channel allow for confidential and/or anonymous reporting (whistle-blowing)?

12. Does the company carry out regular monitoring of its anti-corruption programme to review the programme's suitability, adequacy and effectiveness, and implement improvements as appropriate?

13. Does the company have a policy on political contributions that either prohibits such contributions or if it does not, requires such contributions to be publicly disclosed?

II. Organizational Transparency (OT)

1. Does the company disclose all of its fully consolidated subsidiaries?

2. Does the company disclose percentages owned in each of its fully consolidated subsidiaries?

3. Does the company disclose countries of incorporation for each of its fully consolidated subsidiaries?

4. Does the company disclose countries of operations for each of its fully consolidated subsidiaries?

5. Does the company disclose all of its non-fully consolidated holdings?

6. Does the company disclose percentages owned in each of its non-fully consolidated holdings?

7. Does the company disclose countries of incorporation for each of its non-fully consolidated holdings?

8. Does the company disclose countries of operations for each of its non-fully consolidated holdings?

III. Country-by-Country Reporting (CBC)

1. Does the company disclose its revenues/ sales in country X?

2. Does the company disclose its capital expenditure in country X?

3. Does the company disclose its pre-tax income in country X?

4. Does the company disclose its income tax in country X?

5. Does the company disclose its community contribution in country X?

Annex 3 – List of Companies and Market Capitalisation

All Data collected from NASDAQ Copenhagen Large CAP February 17 20166 at 11:00H
Market Cap at February 18 at 19:00H

Rank market Cap	Company name share category	Active in >4 coun-tries	Market cap M DKK	Sector	New in 2016	Guld 1000 rank
1	Novo Nordisk B	Y	696.527	Health Care		2
2	Danske Bank	Y	192.242	Banking		N/A
3	A P Møller Mærsk A+B	Y	180.092	Industrial Goods & Services		1
4	Coloplast	Y	104.737	Health Care		38
5	Pandora	Y	102.729	Personal & Household Goods		40
6	Vestas Wind Systems	Y	97.562	Oil & Gas		11
7	Carlsberg A+B	Y	92.802	Food & Beverage		6
8	Novozymes B	Y	75.262	Health Care		37
9	Chr. Hansen Holding	Y	53.637	Health Care		82
10	DSV	Y	52.744	Industrial Goods & Services		12
11	Lundbeck	Y	46.878	Health Care		34
12	ISS	Y	43.817	Industrial Goods & Services	YES	4
13	William Demant Holding	Y	30.859	Health Care		51
14	Rockwool International A+B	Y	21.552	Construction & Materials		29
15	GN Store Nord	Y	21.295	Health Care		64
16	Royal Unibrew	Y	15.204	Food & Beverage	YES	72
17	DFDS	Y	15.006	Industrial Goods & Services	YES	35
18	FLSmidth & Co.	Y	13.120	Construction & Materials		22
19	Simcorp	Y	12.284	Technology	YES	228
20	Scandinavian Tobacco Group	Y	9.990	Personal & Household Goods	YES	70

Annex 4 – Berlingske Business 2015 Guld 1000 List 2015

Data for the 10 largest companies by revenue (DKK) extracted from Berlingske Business 2015 Guld 1000 (Danmarks 1000 største virksomheder)

Company	Revenue M DKK	Active in >4 countries	Sector	Guld 1000 rank
Arla Foods	79.125	Y	Food & Beverage	3
DONG Energy	71.829	Y	Public Utilities	5
DLG	59.169	Y	Agricultural Chemicals	7
Danish Crown	58.029	Y	Food & Beverage	8
Dansk Supermarked Group	55.905	Y	Retail	9
United Shipping & Trading Company	51.983	Y	Industrial Goods & Services	10
Danfoss	34.375	Y	Industrial Goods & Services	14
Lego	28.578	Y	Personal & Household Goods	16
Grundfos	25.618	Y	Industrial Goods & Services	18
Danish Agro	24.138	Y	Agricultural Chemicals	19

Annex 5 – Data Tables

Company	Listed	ACP 2016	OT 2016	CbC 2016	Com-bined 2016	Com-bined 2014
Arla Foods	No	100%	100%	2%	67%	
Coloplast	Yes	100%	100%	0%	67%	57%
Danske Bank	Yes	92%	50%	60%	67%	37%
Lego	No	100%	100%	0%	67%	
Novo Nordisk	Yes	100%	100%	0%	67%	49%
Pandora	Yes	96%	100%	0%	65%	50%
Danfoss	No	92%	100%	0%	64%	
DSV	Yes	92%	100%	0%	64%	49%
ISS	Yes	73%	100%	19%	64%	
Lundbeck	Yes	92%	100%	0%	64%	53%
Carlsberg	Yes	88%	100%	0%	63%	52%
Grundfos	No	88%	100%	0%	63%	
Novozymes	Yes	88%	100%	0%	63%	45%
Chr. Hansen Holding	Yes	85%	100%	0%	62%	52%
FLSmidth & Co.	Yes	85%	100%	2%	62%	52%
A P Møller Mærsk	Yes	81%	100%	2%	61%	50%
DONG Energy	No	92%	88%	0%	60%	
Scandinavian Tobacco Group	Yes	77%	100%	0%	59%	
William Demant Holding	Yes	69%	100%	0%	56%	42%
DFDS	Yes	65%	100%	0%	55%	
Rockwool International	Yes	62%	100%	0%	54%	44%
SimCorp	Yes	54%	100%	8%	54%	
Vestas Wind Systems	Yes	92%	50%	1%	48%	46%
Dansk Supermarked Group	No	42%	100%	0%	47%	
Royal Unibrew	Yes	38%	100%	4%	47%	
DLG	No	38%	100%	0%	46%	
GN Store Nord	Yes	85%	50%	0%	45%	38%
Danish Agro	No	27%	100%	0%	42%	
Danish Crown	No	50%	38%	0%	29%	
United Shipping & Trading Company	No	0%	0%	0%	0%	
Average		**75%**	**89%**	**3%**	**56%**	

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