Tax, Lobbying, and Corruption:

How are the Leading Emerging Market Multinational Enterprises Performing?

EMGP

EMERGING MARKETS GLOBAL PLAYERS

Table of Contents

Click on each section to read more

Tables

Introduction

Agenda 2030, including the Sustainable Development Goals (SDGs), aims to set public and private sector actors on a collaborative, ambitious, and essential path toward sustainable development. In order to achieve those shared goals, responsible corporate practices are crucial. This requires corporations to be supporting, and not undermining, the SDGs through the products and services they produce, the processes they use, the value chains they engage in, and the way they shape, and abide by, the letter and spirit of the law.

Among these areas of corporate performance, this report focuses on three: tax payment, corruption, and lobbying:

- **Tax**: Whether, where, and how much companies pay in taxes can profoundly impact governments' abilities to fund achievement of all SDGs.
- **Corruption:** Corruption can further erode public budgets, hindering governments' abilities to finance the SDGs; and it can eat at the public trust and principles of equality and good governance that are essential to achieving SDGs 16 and 17.
- **Lobbying**: Lobbying and other corporate activities shape the law and its implementation in ways that can undermine governments' efforts to set rules of the game that are appropriate and necessary to achieve sustainable development.

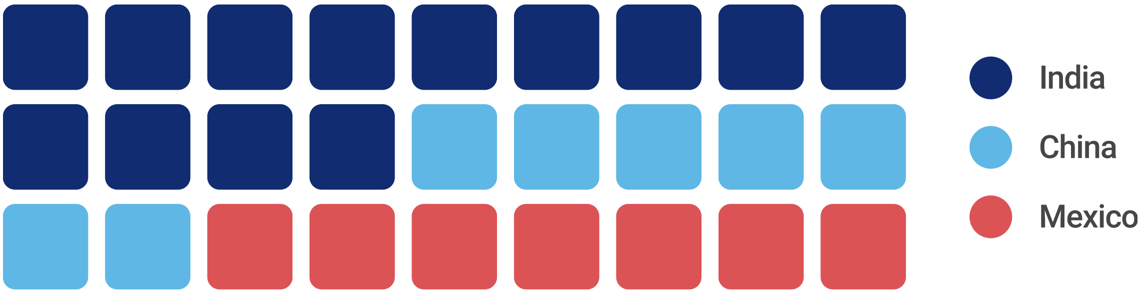
How are companies doing? Notably, while recent years have seen a dramatic rise in environmental, social, and governance (ESG) frameworks developed to evaluate, score, and rank companies, those frameworks have not yet adequately addressed the three foundational issues of tax, corruption, and lobbying. But things are changing.

One relevant initiative is World Benchmarking Alliance (WBA)'s development of three "Social Indicators" aiming to assess corporate performance on Corporate Taxation, Anti-corruption, and Lobbying and Corporate Political Influence. This report takes an early look at those indicators. It applies them to over 40 leading multinational enterprises (MNEs) headquartered in China, India, and Mexico. While our findings raise many crucial questions for further research and analysis, they suggest that most firms are falling short of expectations - and societal needs - on these dimensions.

Footnote: For a detailed list of the sub-indicators corresponding to each of the three core social indicators, i.e. Corporate Taxation, Anti-corruption, Lobbying and Corporate Political Influence, refer to Annex 1 of this report.

The MNEs Evaluated: Leading Emerging Market Firms

Forty-two multinational enterprises - twenty from India, eleven from China and eleven from Mexico, are reviewed in this report. Firms selected from India and Mexico are the largest, non-financial MNEs by foreign assets in 2018.[1] The Chinese firms are selected based on the global ranking of the top 100 public companies by market capitalization, as on March 31, 2019.



The selected firms are among the most important players in their national economies, at the regional level, and even globally. Collectively, these MNEs hold an estimated USD 5,256.2 billion in assets, and represent a wide range of industries.

These firms' conduct is essential to achieving the SDGs. Nevertheless, these and other emerging market MNEs are often underrepresented in rankings and assessments of firms' performance on ESG indicators. As part of the mission of the Emerging Market Global Players (EMGP) Project, this report serves to increase understanding of the selected enterprises, their policies, practices, and effects, and the factors that might shape their conduct and outcomes.

The SDGs: What They Mean for Companies

In 2015, the world's governments adopted Agenda 2030 and seventeen associated SDGs. The seventeen SDGs focus on the economic, environmental, social, and governance elements of sustainable development. Achieving these goals envisions - and requires - robust alignment and engagement of both the public and private sectors.

1. The list of Indian and Mexican MNEs comes from the Emerging Market Global Players (EMGP) Project's list of the top-20 non-financial multinational enterprises, ranked based on their holdings of foreign assets. There are no financial services firms covered in the EMGP Project's rankings.

When assessing how corporate practices impact the SDGs, it is important to consider all aspects of business activity that have impacts on people and planet. These activities can be considered in four Pillars of corporate activity:

1) The products or services the company produces;
2) The processes the company uses to produce those products;
3) The value chains the company engages in and influences; and
4) The company's corporate citizenship.[2]

This fourth pillar – corporate citizenship – is where the topics covered in this report fit. The fourth pillar looks at how companies engage externally with law and society.

These issues, which are a component of WBA's Core Social Indicators, are essential to the achievement of all SDGs.

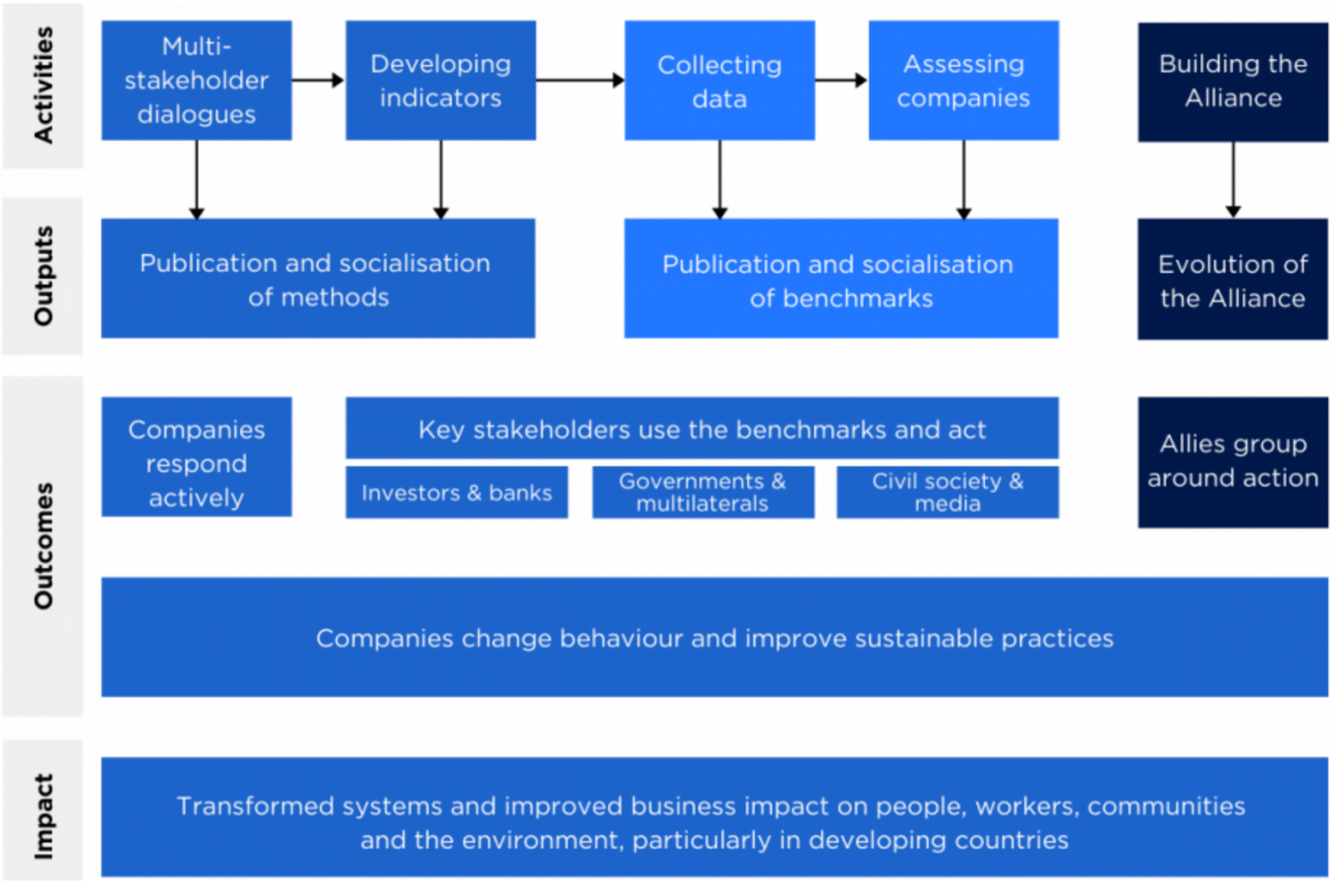
The World Benchmarking Alliance Indicators

In 2018, the World Benchmarking Alliance (WBA) was launched to develop, together with other stakeholders, a series of benchmarks assessing 2000 of the world's most influential companies, ranking and measuring them on their contributions to the SDGs. As the WBA describes, its work is based on the widely shared belief that "there needs to be real change in the way that business impact is measured to boost motivation and stimulate action for a sustainable future for everyone."

2. For more information on CCSI's four-pillar framework for evaluating corporate alignment with the SDGs as applied to the utilities sector, see here, and as applied to the food sector, see here.

After the WBA indicators are developed, companies can be assessed and evaluated based on how they perform against identified benchmarks and relative to their peers. Stakeholders inside and outside the companies can use those evaluations to identify issues and areas of sub-optimal performance and press for improvement. WBA's theory of change is illustrated below.

Figure 1: WBA Theory of Change



Source: World Benchmarking Alliance, Theory of Change

Some of WBA's benchmarks and indicators focus on, or are specific to, particular industries that are especially impactful - positively or negatively - for sustainable development outcomes. However, in 2020, WBA released a draft set of Core Social Indicators on fifteen issues that will apply to all firms in all industries, based on the premise that these fifteen issues are essential to and underpin all SDGs.

The Core Social Indicators cover fifteen topics. Click on the icon to read more.

As noted above, three of those topics are the focus of this report: Tax, Anti-corruption, and Lobbying and Corporate Political Influence. The next section provides a brief overview of those topics and their associated draft WBA indicators.

Corporate Taxation

Governments will not be able to finance the SDGs if they cannot raise the taxes necessary. MNEs, however, may use complex tax planning strategies to reduce their tax liabilities. Such strategies and tactics include using transfer pricing schemes to artificially reduce taxable profits, and locating assets and booking profits in low- or no-tax jurisdictions to reduce tax liabilities. There are many challenges in addressing these issues, including a lack of transparency regarding what companies are paying and to whom, as well as how MNEs are using their intra-firm transactions. According to estimates by the Global Reporting Initiative, governments lose USD 500 billion per year through such MNE practices.

WBA's draft Tax indicator aims to assess whether:

"The company demonstrates a responsible tax approach that complies with both the letter and spirit of the law in the countries where it operates and ensures the right amount of tax is paid, at the right time, in the countries in which it creates value."

Its three sub-indicators look at whether:

1. *The company has a publicly available policy committing it to a responsible tax approach and names the board member and/or committee with oversight of or responsibility for the company's tax approach.*
2. *The company states that it will not establish a presence in low-tax jurisdictions for non-commercial reasons (i.e. where the primary purpose is minimizing tax payments).*
3. *The company takes a transparent approach to country-by-country tax reporting and discloses details in alignment with [part of the Global Reporting Initiative's tax standard] GRI 207-4.*

The WBA indicators strive to incorporate indicators developed and adopted by other corporate performance and disclosure initiatives so as to both help build consensus on certain approaches, and avoid unnecessarily increasing the number of reporting standards. Accordingly, WBA's tax standard draws on, among other sources, the GRI's tax standard.

The GRI's tax standard, published in December 2019, was "the first global standard for comprehensive tax disclosure at the country-by-country level." It was developed through a process with lead drafting by a multi-stakeholder technical committee and input through global consultations and public comment.

WBA's draft tax indicator integrates the GRI tax standard's provisions on country-by-country reporting as one of its sub-indicators. Those country-by-country requirements are shown in Box 1.

Box 1: GRI Tax Standard Disclosure 207-4

Reporting requirements

Disclosure
207-4

The reporting organization shall report the following information:

a. All tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.

b. For each tax jurisdiction reported in Disclosure 207-4-a:

   i. Names of the resident entities;

   ii. Primary activities of the organization;

   iii. Number of employees, and the basis of calculation of this number;

   iv. Revenues from third-party sales;

   v. Revenues from intra-group transactions with other tax jurisdictions;

   vi. Profit/loss before tax;

   vii. Tangible assets other than cash and cash equivalents;

   viii. Corporate income tax paid on a cash basis;

   ix. Corporate income tax accrued on profit/loss;

   x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.

c. The time period covered by the information reported in Disclosure 207-4.

Source: GRI 207: Tax Standard

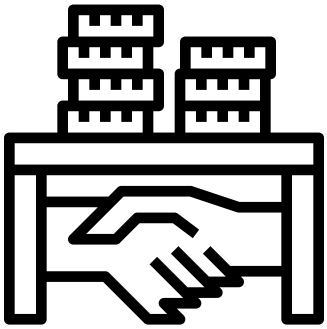
Table 1 provides a brief snapshot of what the GRI and other tax standards cover.

Table 1: Comparison of Responsible Tax Frameworks

	Public tax policy	Anti-avoidance statement	Public country-by-country reporting	Level of tax paid	More detailed tax notes, with narrative	Responsible advocacy embraced	Stakeho policy includin tax authorit
Fair Tax Mark	x	x	x	x	x	x	
Good Business Charter	x	x					x
BITC Responsible Business Tracker	x	x	x		x		
B Corp Certification		x				x	
Future-Fit Business	x	x	x		x		
CSR Europe Blueprint	x				x		
B Team Responsible Tax Principles	x	x	x		x	x	x
GRI 207: TAX 2019	x		x		x	x	x
VBDO Tax Transparency Benchmark	x	x	x		x		x
Accountancy Europe, Public Country-by-Country Reporting			x				
UN PRI - Investor Guide	x		x			x	
EITI Standard			x				

Source: Adapted from Fair Tax, The Essential Elements of Global Standards for Responsible Tax Conduct, p. 34.

Anti-corruption



Corruption, or the abuse of "entrusted power for private gain," has myriad pernicious effects. It:

- distorts the activities of the state in favor of private, and against public, interests,
- drains government resources,
- erodes faith in government institutions,
- disadvantages businesses not engaging in corruption,
- increases the cost of doing business,
- reduces the quality of goods and services produced, and
- negatively impacts economic growth and human well-being.

For decades, many international and domestic initiatives have focused on trying to combat corruption. Outcomes from those initiatives include international treaties and domestic laws criminalizing corruption and imposing penalties for breach.

Due at least in part to the legal and reputational consequences of engaging in corruption, shareholders and other corporate stakeholders place a high priority on understanding the concrete steps MNEs are taking to prevent corruption, and how effective those steps are in practice. Accordingly, ESG frameworks and corporate disclosures often address these issues. Among the three topics, the MNEs covered in this report perform best on the anti-corruption indicators.

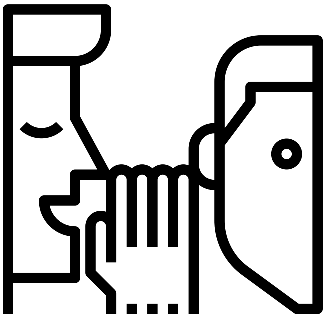
WBA's draft Anti-corruption indicator looks at whether:

"The company publicly prohibits bribery and corruption, demonstrates how these commitments are embedded in company practices and reports on alleged instances of corruption raised through whistle-blowing or grievance mechanisms."

It's five sub-indicators assess whether:

1. *The company has a publicly available policy or policies approved at the most senior level of the business that prohibits bribery and corruption.*
2. *"The company states or demonstrates that it includes anti-corruption and anti-bribery clauses in its contracts with third parties.*
3. *The company publicly discloses details of how it conducts anti-corruption and anti-bribery risk assessments when entering into business relationships with third parties.*
4. *The company has a confidential and anonymous mechanism in place through which both internal and external stakeholders can raise bribery and anti-corruption concerns without fear of reprisals.*
5. *The company reports data relating to bribery and corruption concerns and incidents, including the number and nature of concerns raised via whistle-blower/grievance mechanisms, the number and nature of confirmed incidents and the outcomes of investigations and disciplinary actions against employees, contractors, and third parties.*

Lobbying and Corporate Political Influence



One of the problematic aspects of corruption is how it can distort laws and regulations, causing governments to shape or apply the rules in ways that benefit special interests such as private corporations at the expense of the broader public. For example, laws and regulations cannot play their role in ensuring products and processes are safe, the conditions of work are fair, and tax systems are adequate and equitable, if MNEs have undue influence over how the rules are designed and enforced.

But it is important to note that corruption is not the only way that this distortion can happen. Companies can use many legal tools to capture the policymaking process for their benefit and at the public's expense. Lobbying is one example -- and can itself include various tactics, some regulated and others not.

Lobbying, as Transparency International (TI) defines it, is

> **"any activity carried out to influence a government or institution's policies and decisions in favour of a specific cause or outcome. Even when allowed by law, these acts can become distortive if disproportionate levels of influence exist – by companies, associations, organisations and individuals."**
>
> *TI, Businesses' Lobbying Practices (2018), p.3.*

Lobbying activities can include direct and indirect activities such as:

- Having face-to-face meetings with politicians or civil servants
- Communicating with politicians (letters, memos, etc.)
- Serving on government advisory groups or regulation drafting groups
- Making formal submissions to government consultations
- Presenting at conferences
- Commissioning business impact assessments to support or oppose proposed legislation
- Writing letters to newspapers, public bodies, etc.
- Giving evidence to parliamentary or congressional committees
- Participating in standard-setting initiatives
- Providing or sponsoring research/information to policymakers
- Providing financial donations and gifts, arranging visits and trips
- Organizing grassroots and public relations campaigns encouraging employees, customers and other individuals to contact their government representatives

WBA's draft Lobbying and Corporate Political Influence indicator assesses whether:

"The company demonstrates a responsible approach to lobbying and political influence activities that includes board-level oversight, and controls on and transparency around these activities."

Its five sub-indicators ask whether:

1. *The company publishes a board-level policy or policies setting out its approach to lobbying and political influence/engagement.*
2. *The company requires third-party lobbyists to comply with its lobbying and political engagement policy/policies.*
3. *The company specifies it does not make political contributions. If a company allows them by exception, it clearly reports contributions in every country where it operates, whether or not it is a legal requirement.*
4. *The company discloses details of its lobbying and political engagement, including activities (what it engages on, where, how and any links to the SDGs), membership of all third-party trade associations or lobby groups, and all monetary and non-monetary contributions to third parties (political parties, political campaigns, industry associations, lobbyists etc.).*
5. *The company is not credibly implicated in lobbying or political activities that will actively undermine the 2030 Agenda.*

A Brief Note About Indicators

”

Indicators are leverage points. Their presence or absence, accuracy or inaccuracy, use or non-use, can change the behavior of a system, for better or worse. In fact, changing indicators can be one of the most powerful and at the same time one of the easiest ways of making system changes -- it does not require firing people, ripping up physical structures, inventing new technologies, or enforcing new regulations. It only requires delivering new information to new places.

Donella Meadows, Indicators and Information Systems for Systainable Development (1998) 5.

For indicators on corporate conduct to tell us whether a given firm is contributing toward, and not undermining, all dimensions of sustainable development, the indicators need to be context-based. It is not enough to report the amount of pollutants being emitted, for instance, but how those emissions relate to what a healthy planet and people can safely bear. Moreover, the indicators should indicate transitions, showing whether and how the company’s impact on a particular threshold or goal is improving over time.

For instance, for indicators on tax, public reporting of taxes paid on a country-by-country basis is already a significant step beyond current practices, and would enable researchers to have a better understanding of the absolute amount of corporate contributions. But, as some have argued, that data still does not tell us what we really want and need to know: It does not tell us whether companies are performing ethically and responsibly by paying the share of taxes that they are expected to under the social contract represented by the law. In order to understand that, we would also want companies to “disclose the tax gap and the effective tax rate as a percentage of pre-tax profits and the industry norm, as well as the volume and percentage of global profits attributed to recognized tax havens and low-tax jurisdictions" (UN Research Institute for Social Development, p. 3).

Similarly, with respect to lobbying and corporate political influence, understanding whom, and through whom, a company lobbies is an important step. But it does not tell us whether a company's policy engagement practices and strategies are seeking to support, or frustrate, policies that advance the SDGs. In short, indicators must be carefully designed in order to provide the required information and drive the desired behavioral changes.

In order to better understand the extent to which WBA's Lobbying and Corporate Political Influence indicator sheds light on corporate efforts to influence the law in ways that undermine the SDGs, we examined what those indicators told us about how five global oil and gas companies[3] sought to advance, or undermine, sound climate policy.

We first analyzed the public disclosures of those five oil and gas companies and scored the firms on WBA's Lobbying and Corporate Political Influence indicator. We then gathered the companies' Influence Map Climate Policy Scores, which seek to reflect how companies have sought to affect the substance of climate policy. In a 2019 report, Influence Map found that, in the three years after the 2015 Paris Agreement was signed, the five oil and gas companies together spent over USD 1 billion on climate-related branding and lobbying. These expenditures were on two strategies:

- "[C]apturing the political narrative and public understanding of climate change. This has the effect of reducing the likelihood of obtaining robust climate policy even before it makes significant political progress"; and
- Taking "more direct efforts to block, oppose or repeal regulations once policymakers have proposed or implemented them" (p. 7).

Consistent with our findings reported below, Influence Map found that corporate disclosures by oil and gas companies regarding their branding and lobbying activities are extremely limited. As a result, Influence Map researchers had to compile information on activities and expenditures by the companies and the industry associations they support from various sources, including lobbying registries, advertisements placed on social media, and press releases. Some estimates of spending were also made. Based on the analysis, Influence Map assigned the companies a grade on an A+ to F scale. While grades "between B- and A+ can be considered broadly supportive of meaningful climate policy", a "D to an F indicate[s] increasing opposition." (p. 8).

3. The five global oil and gas companies include: Total, Royal Dutch Shell, BP, Chevron and ExxonMobil.

As shown in Table 2, the two sets of scores -- Influence Map's grades and our assessment of the companies' scores on the WBA's Lobbying and Political Influence indicator -- seem to tell two different stories.

Table 2: Scoring Matrix for Global Top 5 Oil & Gas Companies

Company	Country	Lobbying & Corporate Political Influence (5 being the highest score and 0 the lowest)	Climate Policy Score (A+ being the highest score and F the lowest)
Total	France	4	D
Royal Dutch Shell	UK/ Netherlands	3	D
BP	UK	3	E+
Chevron	USA	3	F
ExxonMobil	USA	2	E

Insights from the Two Sets of Scores

- According to Influence Map, the five oil and gas majors were all determined to be acting against climate policy, frustrating implementation of the commitments made in the Paris Agreement to keep global warming to below 1.5 degrees Celsius. However, the companies fared better on WBA's Lobbying and Corporate Political Influence indicator. Chevron, for instance, was found by Influence Map researchers to be "opposing almost all forms of climate-motivated regulation whilst actively supporting an energy policy agenda that accelerates oil and gas production"; nevertheless, it met the criteria for three of the five WBA sub-indicators. And Total, although directly and indirectly lobbying for policies that would slow the energy transition, activities earning it a "D" on Influence Map's score, achieved a near-perfect score on WBA's lobbying indicator.
- The two sets of scores suggest that although WBA indicators may shed light on how well a firm manages its policy engagement, they do not provide much insight on whether such engagement seeks to advance, or undermine, the SDGs. This dimension -- one which focuses on the aims of corporate lobbying and political activities -- is crucial for understanding corporate alignment with the SDGs. Yet this dimension is only directly addressed by one of five sub-indicators for WBA's draft indicator. Particularly when scores on the five sub-indicators are equally weighted and aggregated -- meaning that a company can report that its policy engagements seek to undermine the SDGs and still score four out of five -- poor performance on this core issue of substantive alignment may not attract adequate attention by companies or other stakeholders.

- WBA's indicator asking for companies to publicly affirm that their policy engagement does not frustrate the SDGs could potentially close gaps between, on the one hand, understanding whether and to what extent there is policy engagement and whether and to what extent that policy engagement is in the public interest. It is unclear, however, whether that element will be retained in the final version of the indicator. After WBA's public consultation on its draft set of indicators, WBA concluded that it was likely to drop its requirement that companies not be "credibly implicated in lobbying or political activities that will actively undermine the 2030 Agenda." Concerns about this indicator relate to practical difficulties in applying it such as the labor involved in third-parties' assessments of corporate lobbying and political engagement across issues relevant to the SDGs, and the risks of "greenwashing" that may arise if corporate self-reporting were instead the key source of data used for scoring on this sub-indicator.
- Overall, the results from these two important initiatives for assessing corporate performance -- WBA's and Influence Map's -- highlight a crucial challenge: how to better ensure that stakeholders have meaningful access to objective, reliable, complete and useful information regarding the foundational issue of how companies are seeking to shape laws and policies. Are they seeking to have them written and applied in ways that advance corporate interests at the expense of broader agreed societal goals? Are their policy engagements ones that seek to advance - or at least not stand in the way of achieving - such goals?
- These questions about what we need to know to be able to assess corporate alignment with the SDGs, and what indicators reliably and clearly provide that information, are relevant

Methodology

Research and analysis for this report involved reviewing companies' annual reports, business responsibility reports, codes of conduct, whistle-blower policies, and other corporate governance policies, publicly available on company websites. This report focuses on data for 2018.

8 hours

Time spent on research, per company.

Annual reports of Indian and Mexican companies were publicly available in English. Annual reports of Chinese firms, however, were mostly only accessible in Mandarin and lacked English translations. Often, only high-level information was available on websites of Chinese companies.

How Companies Were Scored

01

Each of the sub-indicators corresponding to the selected Social Transformation Indicators, i.e.: Corporate Taxation, Anti-corruption, Lobbying and Corporate Political Influence are accorded equal weight in the adopted assessment methodology.

02

For each sub-indicator, the company is awarded a score between 0 to 1.

- Fully reporting companies are awarded 1 point.
- Partially reporting companies score 0.5.
- Non reporting companies are awarded 0 points.

03

Each profiled company can score between 0 to 13 points based on this assessment scale. Companies are then ranked on the basis of total points scored. Geographical and sectoral analysis is done based on these rankings.

Results

Our scores indicate that firms' performance is far from what is expected by the indicators.

The firms analyzed tend to perform poorly across all three indicators, but especially poorly on the Taxation and Lobbying and Corporate Political Influence indicators. Even on the Corruption indicator, where they collectively do the best, only 2 out of 42 companies fully comply with all of the sub-indicators.

In 2018, **no company** (from a total of forty-two) scored above sixty percent on the Corporate Taxation, Anti-corruption, Lobbying and Corporate Political Influence indicators. Six companies scored above forty percent. Of these six companies, four have headquarters in India and two are headquartered Mexico.

Firms' performance is far from what is expected by WBA's three Core Social Indicators

Their operations span various industries, including telecommunications, food products, non-metallic minerals, automotive, and household products.

All six of the lowest scoring companies belong to the financial services sector and are headquartered in China. Each company scored less than 0.5 points from a total score of 13 points on the scoring assessment.

Top Scorers

airtel

GRUPO BIMBO

TATA COMMUNICATIONS

CEMEX

TATA MOTORS Connecting Aspirations

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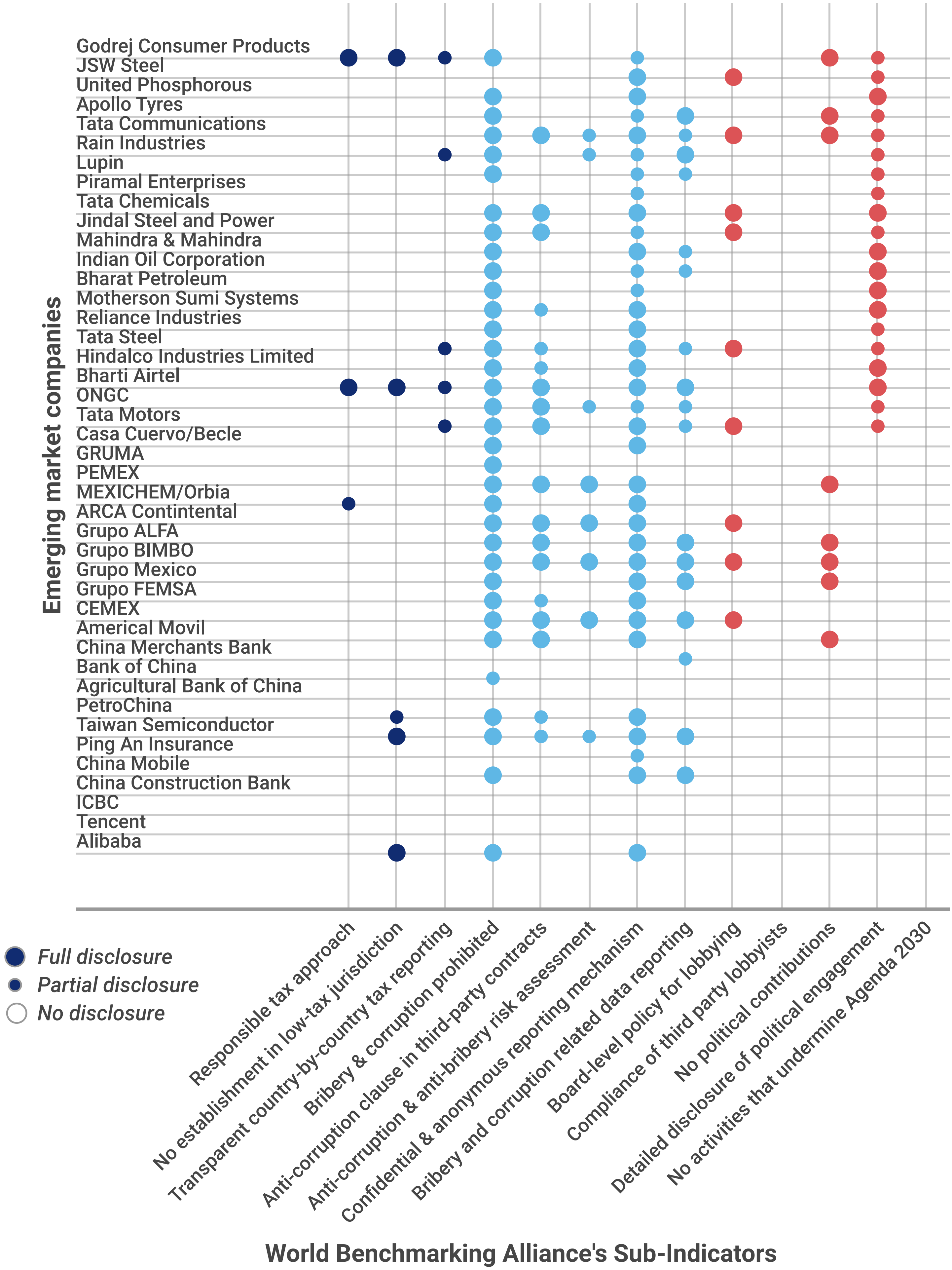
Sectoral Analysis

Indian telecommunication companies are at the highest end of the reporting spectrum, with two companies scoring fifty percent and above.

Chinese financial service companies score lowest. All six companies score less than 0.5 points from a total score of 13.

Trends in the telecommunication and financial service sectors may be attributed to the country of origin, to the nature of regulation of the sector, or to other factors.

Table 3: Detailed Scoring Matrix



Out of the forty-two companies assessed,

2

Companies fully report on WBA's Anti-corruption indicator and its sub-indicators. These are CEMEX and Grupo BIMBO from Mexico.

33

Companies scored zero on the Corporate Taxation indicator. None of these companies report on the given sub-indicators.

15

Companies scored zero on the Lobbying and Corporate Influence indicator. These companies do not report on their respective lobbying and corporate influence approach and policies.

Best Reported Sub-indicators

Nearly all companies report on the following sub-indicators under the **Anti-corruption** indicator:

- Publicly available policies approved at the most senior level of the business that prohibit bribery and corruption.
- Confidential and anonymous mechanism through which both internal and external stakeholders can raise bribery and anti-corruption concerns without fear of reprisals.

Worst Reported Sub-indicators

No company reports on the following sub-indicators under the **Lobbying and Corporate Political Influence** indicator:

- Third-party lobbyists comply with the company's lobbying and political engagement policies.
- Company is not credibly implicated in lobbying or political activities that will actively undermine the 2030 Agenda.

Table 4: Cumulative Scoring Table for MNEs

Search

Rank	Company	Country	Industry	WBA SDG2000 List	Corporate Taxation (3)	Anti-corrupti (5)
1	Bharti Airtel	India	Telecommunications	Yes	2.5	4
2	Grupo BIMBO	Mexico	Food Products	Yes	0	5
3	Tata Communications	India	Telecommunications	Yes	0	4
4	CEMEX	Mexico	Non-metallic Minerals	Yes	0	5
5	Tata Motors	India	Automotives	Yes	0.5	3.5
6	Godrej Consumer Products	India	Household products	Yes	2.5	1.5
7	Taiwan Semiconductor	China	Technology	Yes	1	4
8	Grupo ALFA	Mexico	Diversified	Yes	0	4
9	ARCA Contintental	Mexico	Beverages	Yes	0	4
10	PEMEX	Mexico	Oil & Gas	Yes	0	4
11	Tata Steel	India	Metals	Yes	0.5	3
12	Tata Chemicals	India	Chemicals	Yes	0	3
13	Americal Movil	Mexico	Telecommunications	Yes	0	3
14	Grupo Mexico	Mexico	Mining	Yes	0	3
15	ONGC	India	Oil & gas	Yes	0	3.5
16	Jindal Steel and Power	India	Metals	Yes	0	2.5
17	Rain Industries	India	Chemicals	No	0.5	3
18	Apollo Tyres	India	Automotive components	No	0	2.5
19	Hindalco Industries	India	Metals	Yes	0	2.5

Source: Corporate Annual Report, FY 2018; Business Responsibility Report, FY 2018; Whistle-blower Policy; Company Code of Conduct

Spotlight on Indian MNEs

- Of the twenty MNEs profiled, no company scores above sixty percent.
- Only four companies score above forty percent. These are Bharti Airtel, Tata Communications, Tata Motors and Godrej Consumer Products. Two of these companies are from the telecommunications sector.
- Fifteen companies do not report anything responsive to the Corporate Taxation indicator.
- None of the companies report on two sub-indicators under Lobbying & Corporate Political Influence. These are: (1) third-party lobbyists to comply with company's political engagement policies, and (2) company's implication in political activities that undermine Agenda 2030.

Top Performers

airtel TATA COMMUNICATIONS TATA MOTORS Connecting Aspirations

Godrej | CONSUMER PRODUCTS

Table 5: Scoring Matrix for Top 20 Indian MNEs

Search

Rank	Company	Country	Industry	Transnationality Index (%)	Corporate Taxation (3)	Ar co (5
1	Bharti Airtel	India	Telecommunications	24	2.5	4
2	Tata Communications	India	Telecommunications	61	0	4
3	Tata Motors	India	Automotives	82	0.5	3.
4	Godrej Consumer	India	Household products	60	2.5	1.

Source: Corporate Annual Report, FY 2018; Business Responsibility Report, FY 2018; Whistle-blower Policy; Company Code of Conduct

Spotlight on Mexican MNEs

- Of the eleven MNEs profiled, no company scores higher than sixty percent.
- Only two companies score above forty percent. These are Grupo Bimbo and Cemex; they manufacture food products and non-metallic minerals, respectively.
- Only one company even partially reports on the Corporate Taxation indicator.
- None of the companies report on three sub-indicators under Lobbying & Corporate Political Influence. These are: third-party lobbyists to comply with company's political engagement policies, disclosure of company's lobbying and political engagements, and company's implication in political activities that undermine Agenda 2030.

Top Performers

GRUPO BIMBO

ARCACONTINENTAL

alfa

CEMEX

PEMEX

Table 6: Scoring Matrix for Top 11 Mexican MNEs

Search

Rank	Company	Country	Industry	Transnationality Index (%)	Corporate Taxation (3)	A c (
1	Grupo BIMBO	Mexico	Food Products	48	0	5
2	CEMEX	Mexico	Non-metallic Minerals	74	0	5
3	Grupo ALFA	Mexico	Diversified	36	0	4
4	ARCA Contintental	Mexico	Beverages	26	0	4

Source: Corporate Annual Report, FY 2018; Business Responsibility Report, FY 2018; Whistle-blower Policy; Company Code of Conduct

Spotlight on Chinese MNEs

- Of the eleven MNEs profiled, only one company - Taiwan Semiconductor, scores greater than thirty-five percent. This technology company is headquartered in Taiwan.
- Three financial services companies, Industrial and Commercial Bank of China, China Construction Bank, and Agricultural Bank of China, score zero.
- None of the companies report on two sub-indicators under Corporate Taxation. These are: transparent country-by-country tax reporting and publicly available responsible tax policy.
- None of the Chinese companies report on any sub-indicators under Lobbying & Corporate Influence.

Top Performers

Table 7: Scoring Matrix for Top 11 Chinese MNEs[4]

Search

Rank	Company	Country	Industry	Corporate Taxation (3)	Anti-corruption (5)	Lobbying & Corporate Political Influence (5)
1	Taiwan Semiconductor	China	Technology	1	4	0
2	Alibaba	China	E-commerce	1	2	0
3	China Mobile	China	Telecommunications	0	3	0
4	PetroChina	China	Oil & Gas	0.5	2.5	0
5	Tencent	China	Technology	0	1	0

Source: Corporate Annual Report, FY 2018; Business Responsibility Report, FY 2018; Whistle-blower Policy; Company Code of Conduct

Footnote: Taiwan Semiconductor, headquartered in Taiwan has been included in the list of top emerging market companies in China.

Factors Shaping Scores?

What explains the results? With few exceptions for specific indicators and firms, the MNEs evaluated in this report have low scores. Where there are variations, what might explain those? There are some possible explanations.

One is that some companies have been relatively engaged in understanding, adopting, developing, and applying ESG disclosure frameworks, and that those firms might have relatively robust practices regarding disclosure of ESG issues. Another is that global firms, with global stakeholders, might have to ratchet up their performance on ESG issues and reporting so as to meet the demands of their most exacting stakeholders. Thus, the more global a firm, the better its performance might be. We took an initial look at these possible explanations in order to better understand the factors that may affect corporate reporting on the topics covered.

Engagement with ESG Frameworks

Among the global initiatives on ESG performance and reporting, two important ones are the United Nations Global Compact and the Global Reporting Initiative (GRI).

The UN Global Compact is a voluntary initiative: Global Compact companies commit to adhere to and advance the Compact's ten principles – covering performance on human rights, labor rights, the environment, and anti-corruption – and to produce annual reports describing their implementation of those principles.

The GRI produces corporate sustainability reporting standards, and assists companies with preparing reports in accordance with those standards. The GRI also posts companies' sustainability reports on its website. As noted above, in 2019 the GRI adopted the first global standard on tax disclosure.

A company's status as a Global Compact company, and its adoption of GRI standards, may signal its consciousness of and commitment to responsible performance on ESG issues. Engagement with one or both of those initiatives may also help expand the scope of the particular ESG issues on which companies focus, the companies' understanding of and attention to those issues, and the companies' disclosure of information relevant to their treatment of or impact on those issues.

We investigated the ties:

United Nations Global Compact

- Of the 42 MNEs profiled, only 16 companies are registered as members of the UN Global Compact.
- There does not seem to exist any clear correlation between companies' membership in the Global Compact and their scores on WBA's indicators.

Global Reporting Initiative

- In 2018, only 18 of the 42 companies issued sustainability reports as per GRI Standards. Another company cited GRI standards, but its sustainability report did not comply with the relevant version of those standards.
- The GRI website noted an additional six companies issued sustainability reports, but did not reference the GRI Standards in those reports.
- Information was not available for 17 companies on the GRI Sustainability Disclosure Database. This may mean that they did not issue sustainability reports, or that the sustainability reports were not known of by GRI or its data partners.
- Companies' GRI Standards reporting practices do not reveal any new information or trends which can be linked to WBA's indicators.

The Relevance of an MNE's "Globalness"

We may assume that the more global a firm is, the higher may be its scores on these reporting frameworks since it is expected that at least some of the MNE's operations would need to comply with the highest standards being demanded by consumers, investors, governments, and others. Once the company has adopted high standards for some of its sales or operations, it might be expected to spread them across its other affiliates in the corporate family.

To examine this, we looked at the Indian and Mexican MNEs' scores on the "Transnationality Index" (TNI). A company's TNI is a measure of how global a company is. It is made up of a ratio of foreign assets to total assets, foreign sales to total sales, and foreign employees to total employees. We found:

- No clear correlation between the degree of "globalness'"of a company and its public disclosure on taxation, anti-corruption, lobbying and corporate political influence.
- Companies with high TNI scores do not necessarily perform well on WBA indicators evaluated in this report.
- Related to the broader issue of disclosure, there are challenges in identifying a company's TNI. MNEs, for instance, often do not provide adequately detailed data on employment. For this reason, the TNI for Indian firms does not include employment data.

Insights and Further Questions

Insights

MNEs should
- assess performance on Social Transformation indicators and the information they seek to capture and reflect
- improve public reporting of and performance on the issues of tax payment, corruption, and lobbying

Governments should
- consider whether to make reporting on these topics mandatory so as to improve quality of available information
- consider how legal mandates and accountability mechanisms influence behavior

WBA and other Standard Setters should
- continue to test whether the indicators are adequately designed to reliably capture the information desired
- examine whether the indicators are appropriate for all firms irrespective of home-country origin, sector, and other factors

Further Questions

Our findings reveal important patterns and raise a number of crucial questions:

- To what extent are indicators looking at disclosure able to serve as a reliable proxy for performance and impact?
- Does the performance on these indicators indicate firms are impeding progress (or our ability to track progress) on the SDGs?
- Does performance by these emerging market firms differ from performance of other firms? If so, how and why?
- Does the lack of information highlight gaps in mandatory disclosure rules that should be filled?
- If we want to close information gaps, to what extent should we be thinking about corporate initiatives, or government led ones? Domestic initiatives, or international?
- What do these insights suggest to policymakers?

Annexure 1: Sub-Indicators

Corporate Taxation

- The company has a publicly available policy committing it to a responsible tax approach and names the board member and/or committee with oversight of or responsibility for the company's tax approach.
- The company states that it will not establish a presence in low-tax jurisdictions for non-commercial reasons (i.e. where the primary purpose is minimizing tax payments).
- The company takes a transparent approach to country-by-country tax reporting and discloses details in alignment with GRI 207-4.

Anti-corruption

- The company has a publicly available policy or policies approved at the most senior level of the business that prohibits bribery and corruption.
- The company states or demonstrates that it includes anti-corruption and anti-bribery clauses in its contracts with third parties.
- The company publicly discloses details of how it conducts anti-corruption and anti-bribery risk assessments when entering into business relationships with third parties.
- The company has a confidential and anonymous mechanism in place through which both internal and external stakeholders can raise bribery and anti-corruption concerns without fear of reprisals.
- The company reports data relating to bribery and corruption concerns and incidents, including the number and nature of concerns raised via whistle-blower/grievance mechanisms, the number and nature of confirmed incidents and the outcomes of investigations and disciplinary actions against employees, contractors and third parties.

Lobbying and Corporate Political Influence

- The company publishes a board-level policy or policies setting out its approach to lobbying and political influence/engagement.
- The company requires third-party lobbyists to comply with its lobbying and political engagement policy/policies.
- The company specifies it does not make political contributions. If a company allows them by exception, it clearly reports contributions in every country where it operates, whether or not it is a legal requirement.
- The company discloses details of its lobbying and political engagement, including activities (what it engages on, where, how and any links to the SDGs), membership of all third-party trade associations or lobby groups, and all monetary and non-monetary contributions to third parties (political parties, political campaigns, industry associations, lobbyists etc.).
- The company is not credibly implicated in lobbying or political activities that will actively undermine the 2030 Agenda.

Source: Social Transformation Methodology, World Benchmarking Alliance.

The Columbia Center on Sustainable Investment (CCSI), a joint center of Columbia Law School and the Earth Institute at Columbia University in the City of New York, is releasing the results of their comparative analysis of emerging market companies in relation to their reporting on World Benchmarking Alliance's three Social Transformation Indicators. This report is part of the Emerging Market Global Players (EMGP) project, led internationally by CCSI. The EMGP project is a long-term study of the rapid global expansion of multinational enterprises (MNEs) from emerging markets.

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