

# ANTI-CORRUPTION HELPDESK

PROVIDING ON-DEMAND RESEARCH TO HELP FIGHT CORRUPTION

## TRANSPARENCY STANDARDS FOR BUSINESS ASSOCIATIONS

### QUERY

Please provide information on best practices in transparency of business associations, including any examples of other chapters working on such initiatives.

### PURPOSE

Transparency International Chile is working with SOFOFA, the main business association in the country, to develop some transparency standards for this kind of organisation. The idea is to design a portal where the association can share important information and to establish these standards as a benchmark for other associations.

### CONTENT

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### SUMMARY

With the exception of the Governance Principles for Business Associations and Chambers of Commerce developed by the Center for International Private Enterprise and the World Chambers Federation (2011), there appears to be very little available in terms of guidance, standards or best practice with regards to the transparency of business associations.

There are, however, various transparency standards for non-profit organisations which may have some relevance to business associations given the similarity of their governance structures. There is also some guidance on how to promote greater transparency among special interest groups (including business interest groups) regarding their activities in lobbying for specific policy and regulatory outcomes. A selection of these standards is therefore presented in this Helpdesk answer.

There do not appear to be any examples of Transparency International national chapter projects targeting the transparency of business associations. Nevertheless, a number of Transparency International chapters work with groups of companies, including business associations, to promote transparency and good governance in the private sector. A selection of these is also presented in this Helpdesk answer.

## 1. BEST PRACTICE IN TRANSPARENCY OF BUSINESS ASSOCIATIONS

Business associations are understood to include chambers of commerce, trade associations and other professional associations. They play an important role in maintaining dialogue between the public and private sectors, providing key information to policy makers on matters of reform while providing a channel for information from the government back to the private sector.

Business associations also play an important role in strengthening the private sector by providing services that allow companies to remain competitive and access new markets. By becoming a vehicle of the private sector's transparent participation in the public policy making process, business associations are democracy-strengthening and market-reforming institutions (CIPE 2009).

While numerous standards have been developed to promote private sector (business) transparency, there is very little available in terms of guidance, standards or best practice with regards to the transparency of business associations. The focus instead tends to be on the role of business associations in promoting good corporate governance and transparency among their members (see for example Martini 2013 and U4 2007). There are also various transparency standards for non-profit organisations which may have some relevance to business associations given the similarity of their governance structures. A selection of these are presented below.

There is also increasing debate about the need to promote greater transparency among special interest groups (including business interest groups) with regards to their activities in lobbying for specific policy and regulatory outcomes, especially in the EU context (see, for example, Transparency International 2015). While discussions tend to focus on public sector regulation rather than standards for the private sector itself, a selection of such standards are presented below as they may have some relevance for business associations in that such bodies aim to influence government policy and regulations.

### Transparency standards and guidelines for business associations

To date, it appears that the only established standards in this area are the Governance Principles for Business Associations and Chambers of

Commerce developed by the Center for International Private Enterprise (CIPE) and the World Chambers Federation (CIPE 2011).

**CIPE: Governance Principles for Business Associations and Chambers of Commerce**  
<http://www.cipe.org/publications/detail/governance-principles-business-associations-and-chambers-commerce>

These principles provide a starting point for developing and strengthening specific mechanisms related to good governance within business associations. Recognising the uniqueness of each country and business environment and the differences between organisational structures, the principles aim to capture a broad set of good governance guidelines, which business associations in different countries can use to evaluate their existing practices and initiate improvements they deem necessary.

Specifically, with regards to transparency, the principles suggest that a business association's governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the association, including its financial situation, performance, membership and governance.

The scope of disclosure rules should be consistent with the legal requirements of the country in which the association operates. These requirements may specify disclosure rules regarding key documents, funding sources, financial flows and other matters related to the operation of associations. Even if public and regulatory bodies do not impose such requirements, however, disclosure to members of the association is deemed essential.

More specifically, disclosure should include, but not be limited to, material information on:

- the financial and operating results of the association, including all relevant information on funding beyond membership fees
- association mission, vision and objectives
- voting rights of members
- remuneration guidelines for key executives, information about board members, including their qualifications and the selection process. Board members in associations typically serve on a voluntary basis, but if they are compensated for their involvement by financial or any other means, such compensation should also be disclosed.
- related party transactions
- foreseeable risk factors

- issues regarding employees and other stakeholders
- issues that affect how an association functions
- governance structures and policies – in particular, the content of any association code or policy and the process by which it is implemented
- key partnerships with stakeholders

Furthermore, the principles suggest that:

- Members of the board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the association.
- Information should be prepared and disclosed in accordance with high quality standards of accounting and financial and non-financial disclosure.
- An annual audit should be conducted by an independent, competent and qualified auditor to provide an external and objective assurance to the board and members that the financial statements fairly represent the financial position and performance of the association in all material respects.
- External auditors should be accountable to members and exercise due professional care in the conduct of the audit.
- Relevant information should be readily available to intended users. However, the association should preserve relevant internal documents and business records that constitute a competitive advantage and disclosure of which could jeopardise the organisation's programmes and its members.

#### **USAID: The Business Association Development Guidebook: A Practical Guide to Building Organizational Capacity**

[http://pdf.usaid.gov/pdf\\_docs/pnaeb607.pdf](http://pdf.usaid.gov/pdf_docs/pnaeb607.pdf)

This guidebook from USAID notes that, in many transitional countries, business associations have struggled to implement financial processes that are both transparent and effective, in part due to the lack of adherence to international accounting standards as well as technological limitations. However, it also notes that donors, association leaders and members are increasingly pressurising associations to adhere to international standards as far as financial reporting is concerned. In response, many associations have developed financial systems that include:

- the approval of an annual budget
- the generation of monthly financial statements

- the allocation of expenses through a general ledger
- the creation of income statement to track assets

In addition, many have adopted financial procedures manuals that outline specific processes that must be used to ensure financial accountability and transparency.

#### **Trade Association Forum: Code of Practice for Trade Associations**

[http://www.fcs.org.uk/image\\_upload/files/Code%20of%20Practice%20%20for%20TAs%20November%202013.pdf](http://www.fcs.org.uk/image_upload/files/Code%20of%20Practice%20%20for%20TAs%20November%202013.pdf)

The UK Trade Association Forum appears to be one of the few associations that has developed dedicated transparency principles for trade associations. These are articulated as follows:

- We are clear and precise about our identity and any industry or sector that we may represent.
- We will endeavour to represent the common interests of all members.
- Where there is diverging opinion within the membership, we will seek to present a balanced case respecting the different interests involved. Where appropriate, we will work with non-members and other associations in allied sectors on matters of joint concern.
- We will clearly declare any relevant financial or other links to public office holders in order to ensure that he or she is protected from any potential conflict of interest.
- We will use reasonable endeavours to ensure the truth and accuracy of any statements made or information provided to any third party in order to never knowingly make false or misleading claims or misrepresent the views of others.

#### **Transparency standards and guidelines for non-governmental organisations**

From a governance perspective, business associations have much in common with non-governmental organisations (NGOs) given the fact that their membership is usually voluntary and they tend to be non-profit making organisations. As such, transparency standards for NGOs may have some relevance for business associations. Nevertheless, when considering these standards, it is important to recognise that business associations also have several unique features which make association governance a distinct issue and which limit their direct applicability.

One key difference is that the accountability of business associations tends to be towards their fee-paying members, who also comprise their governing structure, as opposed to a broader constituency of clients or beneficiaries (CIPE 2011). Thus, it is suggested that associations build on the experiences of other types of organisations to improve their governance procedures to develop their own methods and approaches (CIPE 2009).

#### **Accountable Now: Accountability Commitments (formerly the INGO Accountability Charter)**

[http://www.care-international.org/files/files/Accountable%20Now\\_Co mmittments\\_web.pdf](http://www.care-international.org/files/files/Accountable%20Now_Co mmittments_web.pdf)

This charter outlines a common commitment by a group of international civil society organisations to transparency and accountability as a core element of good governance on the part of governments, businesses or non-profit organisations. Among the areas covered, the charter presents commitments to transparency as it relates to the organisations' mission, structures, policies and activities, requiring:

- the implementation of an open information policy which ensures timely, relevant and accurate information is disclosed in an accessible format; and any exceptions e.g. due to data protection rights, are clearly and reasonably explained
- complying with the relevant governance, financial accounting and reporting requirements in countries where we are based and operate
- issuing annual reports describing: our mission and values, objectives and outcomes achieved in programmes and advocacy work, environmental impact, governance structure, processes and main office bearers, main sources of funding, financial performance, compliance with this charter and a contact person
- basing disclosure of information (wherever possible and appropriate) on existing formats such as those provided by the Global Reporting Initiative or International Aid Transparency Initiative (IATI) to allow better systematic use of the data.

#### **Global Reporting Initiative (GRI): Sustainability Reporting Guidelines & NGO Sector Supplement**

<https://www.globalreporting.org/resource/library/G3-English-NGO-Sector-Supplement.pdf>

The GRI reporting framework is intended to serve as a generally accepted framework for reporting on an organisation's economic, environmental and social performance. It is designed for use by organisations

of any size, sector or location. It takes into account the practical considerations faced by a diverse range of organisations and contains general and sector-specific content that has been agreed by a wide range of stakeholders around the world.

The NGO supplement complements that standard guidelines by focusing specifically on disclosure in relation to issues most relevant to NGOs, namely compliance with stated values, financial management, financial sustainability and programme effectiveness.

#### **National Council of Non-Profits: Financial Transparency**

<https://www.councilofnonprofits.org/tools-resources/financial-transparency>

These guidelines outline the financial disclosure requirements for non-profit organisations in the U.S. In particular, tax-exempt non-profits are required, upon request, to provide copies of the three most recently filed annual tax information returns and the organisation's application for tax. To demonstrate a commitment to transparency and to make it easier for those seeking financial information to view these documents, many charitable non-profits post these documents from a link on their websites.

Additionally, the guidelines suggest numerous "voluntary" ways non-profits can demonstrate financial transparency, including:

- be honest in solicitation materials and truthful and clear in communications with donors about how their gifts will be or have been used
- adopt a conflict of interest policy with a disclosure statement that all board and staff review annually
- be open about the tax-exempt status of the organisation on its website
- be open about who is on the board of directors by publishing a list of names on the organisation's website
- post financial information on the non-profit's website, such as audited financial statements and annual reports, as applicable
- respond appropriately to requests for copies of financial reports, as required by legal public disclosure requirements

#### **Standards on lobbying transparency**

As noted above, an emerging issue, although little discussed in the context of business associations, is the increasing demand for transparency with regards to policy and regulatory influence and lobbying on

the part of private sector actors. This has become an issue of particular salience in the EU context, as well as with regards to climate policy.

The focus of such discussions tends to be on the regulation of lobbying through legislation, rather than on standards for the private sector itself. Nevertheless, there are a number of voluntary standards which may be relevant to the governance and operations of business associations themselves. A [recent report](#) by Transparency International Ireland (2015), provides a good overview of such initiatives. In addition, the following guidelines would appear to be particularly relevant.

#### **The Green Alliance: The Private Life of Public Affairs**

<http://m.creatingabetterplaceyne.co.uk/resources/The%20private%20life%20of%20public%20affairs.pdf>

The Green Alliance has formulated a series of recommendations for trade associations which include:

- the development of sector sustainability strategies based on frameworks “to identify threats to the sector from unsustainable practices, and opportunities for the sector to benefit from more sustainable ways of working”.
- annual reports on how lobbying positions have aligned with the sector sustainability strategy
- disclosure of what practices exist to get “sign-off” from members for the positions taken on proposed policy

#### **International Corporate Governance Network: Statement and Guidance on Political Lobbying and Donations**

[https://www.responsible-investor.com/images/uploads/advertising/ICGN\\_PLD.pdf](https://www.responsible-investor.com/images/uploads/advertising/ICGN_PLD.pdf)

The International Corporate Governance Network’s (ICGN) Statement and Guidance on Political Lobbying and Donations defines lobbying as a “practice that seeks to inform and influence political decisions, regulations, legislation and policies according to the interests of an individual corporation, a sector or grouping of businesses, or business-at-large”.

Among the guiding principles are those on transparency which encourage “clarity on the policy framework and exactly what the company is doing, who the decision makers are, when and how the company seeks to influence public policy and the political process”. Companies and associations are

also encouraged to disclose the “direct and indirect costs of political activity”. More specifically, the guidelines suggest that:

- Policies on political activity should be publicly disclosed and easily found on the company’s website.
- Companies should disclose lobbying positions on key policy issues and how these are reflected in written submissions to politicians, regulators, political parties or civil society groups. Companies should identify key relationships with trade associations that engage in lobbying on the corporation’s behalf.
- Companies should disclose their policies and processes for giving. Direct and indirect political spending by corporations beyond a minimum amount should be publicly disclosed and reported annually in terms of amount and stated purpose of the donation.
- The timing of such disclosures should also be disclosed, particularly in cases surrounding the election of political officials or legislative voting on key policy decisions.
- The intent and business rationale for any donations should also be disclosed.
- Given the phenomenon of “revolving doors” between business and politics, companies should be transparent about whether employees, including board directors, have or have had influential roles in politics.

#### **SustainAbility and Government Policy Consultants (GPC): Politics and Persuasion: Corporate Influence on Sustainable Development Policy**

[http://sustainability.com/wp-content/uploads/2016/09/sustainability\\_politicsandpersuasion.pdf](http://sustainability.com/wp-content/uploads/2016/09/sustainability_politicsandpersuasion.pdf)

This document presents some of the key features of best practice regarding the conduct and content of companies’ political and policy engagement. With regards to transparency, it suggests that companies disclose their positions on key public policy issues and that they reveal their external memberships, donations and methods of influence. It recommends publishing internal guidelines and compliance records and disclosing company affiliations, political funding and policy positions advocated on key issues.

#### **Transparency International: Code of Ethical Advocacy**

[http://www.transparency.org/whoweare/accountability/commitment\\_to\\_ethical\\_advocacy/3/](http://www.transparency.org/whoweare/accountability/commitment_to_ethical_advocacy/3/)

Transparency International Secretariat (TI-S) has developed a code of ethical advocacy to ensure that the organisation's advocacy is consistent with its mission, grounded in its work, based on evidence and advancing defined public interests.

In terms of transparency, the code commits TI-S to disclose the following information:

- a list of all registers in which Transparency International is enlisted and reporting on our advocacy engagement
- a list of meetings in which Transparency International has sought to influence a decision-making process (public or private sector), including the name of Transparency International representatives present, the name of the institution or organisation (advocacy target), the name and position of the representative of the institution or organisation (respecting relevant data protection regulations), the date of the meeting, the subject matter discussed and any policy positions used in support of the advocacy effort
- the names of advocacy staff and whether they have held public or elected office in the last five years

## 2. NATIONAL CHAPTER EXAMPLES

There do not appear to be any examples of Transparency International national chapter projects targeting the transparency of business associations. Nevertheless, a number of Transparency International chapters work with groups of companies including business associations to promote transparency and good governance in the private sector. A selection of these are presented below.

### Italy

#### Business Anti-Corruption Forum

<http://businessintegrity.transparency.it/>

The Business Integrity Forum (BIF) is an initiative of Transparency International Italy which brings together major Italian companies already active on issues of integrity and transparency. Through the forum, companies commit to prevent and fight corruption in business practices by adopting and promoting tools and anti-corruption practices and promoting a greater culture of compliance.

Among the activities of the forum is the anti-corruption corporate benchmark, a tool for the

recognition of good practices and actions taken by companies in their anti-corruption programmes. The tool allows users to model the average profile of the companies involved in the BIF and identify strengths and weaknesses for each to shed light on new practices and different approaches to be shared with all members of the forum.

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### Vietnam

#### Vietnam Integrity Alliance

<https://towardstransparency.vn/vietnam-integrity-alliance>

The Vietnam Integrity Alliance (VIA) is an initiative that brings together a broad coalition of businesses to promote strong standards of integrity in business and to work with others to contribute to a competitive and fair business environment in Vietnam.

Working alongside a number of international chambers of commerce and businesses, the alliance is developing a framework for practical integrity initiatives, owned and driven by the business community, initially comprising an integrity alliance and integrity pledge.

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#### Business Integrity Platform for Clean Business in Saigon High Tech Park (SHTP)

<https://towardstransparency.vn/business-integrity-platform-for-clean-business>

The business integrity platform is an open space for the group of companies operating in the Saigon High Tech Park to demonstrate to stakeholders their efforts and commitment to doing clean business. The platform provides businesses with a wide range of anti-corruption tools, including:

- Quick SET, which provides users with tools to assess a company's integrity systems. The evaluation results aim to encourage the company to review its current policies and procedures related to corruption risks. The results could be used as a reference both internally and externally.
- A six-star-ranking system to make information on the state of companies' integrity systems available to the public. A company may only gain

additional stars after they have submitted appropriate supporting documents, in reference to Transparency International's standards.

The initiative is expanding to include other high tech parks (Hoa Lac and Da Nang)

<https://towardstransparency.vn/three-national-high-tech-parks-collaborate-together-promote-business-integrity-improve-investment-environment>

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## Argentina

### Collaborative Strategies to Strengthen the Transparency and Integrity of the Pharmaceutical Industry in Argentina

The aim of this initiative by Transparency International Argentina (Poder Ciudadano) is to find common ground between representatives of multinational and national pharmaceutical sectors to strengthen standards of transparency and integrity in the industry. It aims to align existing transparency initiatives within the industry with the agenda of the new national health authorities.

To this end, the initiative aims to establish a forum for dialogue between the pharmaceutical industry and national authorities with the mediation of civil society. The goal of the forum is to facilitate agreement on a set of integrity standards for the sector that can then be translated into sectoral transparency agreements.

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## Malaysia

### Corporate Integrity System Malaysia

<http://cism.my/>

The Corporate Integrity System Malaysia (CISM) is a business integrity framework set up by the Malaysian Institute of Integrity and supported by various institutions in Malaysia. The main objective of the CISM initiative is to create a business environment that is transparent, fair and corruption-free through the enhancement of corporate governance and business ethics.

As a CISM implementation partner, Transparency International Malaysia plays an important role in

working with companies, state enterprises and other organisations to help them implement anti-corruption programmes. TI-Malaysia's involvement in CISM also forms a bridge between the government and civil society, helping to ensure that the voice of civil society is taken into account in the formulation of the integrity agenda for business.

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