



THE B TEAM

April 2018

**OWNERSHIP IS
EVERYONE'S BUSINESS –
PRIVATE SECTOR ACTION
ON COMPANY OWNERSHIP**



“Strong rules and institutions that help prevent corruption are crucial to creating **competitive markets** and encouraging innovation.”

PAUL POLMAN
CHAIR, THE B TEAM
CEO (2009-2018), UNILEVER

Over the past few years, we have seen substantial momentum to end anonymous companies, with many governments committed to action. Companies and investors have been leading efforts to champion implementation of beneficial ownership transparency and the reason for this is simple—companies need to know who they are doing business with.

In a world of declining trust in business, compliance, due diligence and business integrity are at the top of the executive agenda. 91 percent of senior executives believe it is important to know the ultimate beneficial ownership of the entities with whom they do business. For private sector leaders, it's just common sense. They simply must be able to trust that the people they do business with are credible.

Companies are increasingly realising the value of enhancing strong transparency practices, such as Know Your Customer (KYC) due diligence, and the benefits this has in protecting them from fraud or deals going bad, safeguarding their investments and protecting their public reputation.

With access to high quality beneficial ownership data, companies can better assess suppliers, avoid doing business with politically exposed persons, identify conflicts of interest and comply with requirements of regulators. But more momentum is needed from governments to tackle beneficial ownership transparency. Business is looking to the G20 to lead and implement the G20 High-Level Principles on Beneficial Ownership Transparency.

Other political fora, such as the African Union or Open Government Partnership, can also encourage government commitment. Corporates are encouraging increased business leadership and advocacy to drive this conversation forward.

This report highlights the growing demand from business for government action that can deliver more consistent access to high quality data on who owns and controls companies. It reflects on the challenges of quality and verification and globally connected data. Furthermore, it shows us how businesses and investors are addressing these challenges directly. By raising their voices in broader debates and adopting leading practices, the private sector is collectively collaborating to build open company ownership.

We at The B Team hope you will find this report a helpful resource and join us in continuing to build momentum to end anonymous companies.

Best wishes,

Robin Hodess

Director, Governance & Transparency,
The B Team



Photo by Riccardo Savi

GROWING SUPPORT FOR BENEFICIAL OWNERSHIP



The call for greater information on who owns and controls companies has been growing since the turn of the century. Emerging international norms (starting with FATF Guidance), the introduction of due diligence, foreign bribery or corrupt practices obligations on multinationals and the ever-growing complexity of managing international supply chains contributed to this push for transparency.

“ Unless we tackle this problem we run a real risk of cynicism overcoming our politics and thus a catastrophic loss of confidence in our democracy. ”

Governments—internationally and nationally—have been developing common frameworks for action including through the Financial Action Task Force Transparency Forum, the G20 and the OECD Global Tax Forum. We’ve seen some countries move to implement public registers including the United Kingdom, Denmark, the Netherlands, Ukraine, Slovakia. The EU has now mandated public disclosure of beneficial ownership information across the EU through the recent 5th EU Anti-Money Laundering Directive. Kenya, Afghanistan, Nigeria, Ghana have all made commitments and there are active debates in Australia, Argentina and many other countries.

2013: The B20 Steps Weighs in on Ownership Transparency

The B20 has advocated for the adoption and implementation of the G20 High Level Principles on Beneficial Ownership Transparency since 2013, recognising the need for government action. Simultaneously, the B20 has driven conversation between businesses, investors and financial institutions on how business collects and uses beneficial ownership information and how companies and investors can lead on this issue.

Under the Turkish Presidency in 2015, the B20 Anti-Corruption Taskforce agreed to a programme of work to engage companies around their use of beneficial ownership information, the challenges they faced, the concerns they held and their paths forward.

(Pictured Left) Professor George Gyan-Baffour, Minister for Planning of the Republic of Ghana, announces the country's commitment to publish ownership structures through collaboration with OpenOwnership at the 2017 Concordia Summit. Photo by Riccardo Savi

GLOBAL PERSPECTIVES ON BENEFICIAL OWNERSHIP



In partnership with Deloitte, Bank of Montreal and Thomson Reuters, The B Team planned workshops and roundtables to facilitate discussion on how companies, financial institutions, investors and others were using information on company ownership. These conversations addressed the challenges they faced in accessing this information, and the challenges and opportunities they foresaw in changes in government regulation and business processes. In total, more than 250 companies contributed to these discussions across Europe, UK, Africa, Asia, South America, North America and the Middle East.

This series contributed to the development of the [OpenOwnership](#) global platform for beneficial

ownership information by identifying use cases from the private sector. Some participants in these workshops went on to participate in its development as part of the Private Sector Advisory Group. It also provided the impetus and content for www.ownershiptransparency.com—a joint project of Deloitte, The B Team and Thomson Reuters—in response for the call from participants for more consistent information on this topic and ways for businesses and investors to take action.

This series also led to The B Team developing a set of business use cases for this information, and an understanding of the key challenges that governments and business need to address as they move forward. The input has been reflected in successive B20 policy papers and engagement with G20 Governments.

TIMELINE OF DISCUSSIONS

DEC 2015

A roundtable hosted at Hughes Hubbard and chaired by Thomson Reuters in Paris alongside the B20 meetings and the OECD Forum. Attended by 30 participants from construction, pharmaceuticals, publishing, extractives, legal, finance, tech, offshore services industries.

DEC 2015

A workshop hosted alongside the WEF India Meeting, chaired by Deloitte in Delhi, India and attended by 25 participants.

A workshop Safaricom and UN Global Compact hosted at the Regional Anti-Corruption Conference in Nairobi, co-convened by Transparency International and The B Team. Attended by 90 multinational representatives from construction, consumer goods, food and beverage, national banking and telecommunications, and small and medium enterprises in tourism and agriculture.

MAR 2016

A roundtable hosted by Deloitte and chaired by The B Team in New York, with 20 participants largely from finance including banks, equity funds, stock exchange, due diligence service providers and the luxury industry.

APR 2016

A roundtable hosted alongside the B20 Conference in Beijing, co-hosted by BMO, Deloitte and The B Team involving 15 participants from tech, professional services, banking and pharmaceuticals.

MAY 2016

A roundtable hosted by Thomson Reuters during the week of the London Anti-Corruption Summit. Attended by 20 participants from the finance, publishing, banking, consumer goods, construction, international institutions, offshore jurisdictions and legal industries.

OCT 2016

A workshop hosted by Deloitte and chaired by Hikma Pharmaceuticals and BMO alongside the regional UN Global Compact meeting in Dubai. Attended by 20 financial and banking industry regulators.

DEC 2016

A workshop session held as part of the International Anti-Corruption Conference in Panama City, Panama. Attended by 25 representatives from banking, professional services, publishing, legal, civil society and government.

APR 2017

A workshop at the Mo Ibrahim Governance Weekend in Marrakech, hosted by The B Team. Attended by 35 participants from investment, professional services, extractive industries, legal, consumer goods, media industries, government and civil society.

THE DEMAND: BUSINESS USES FOR BENEFICIAL OWNERSHIP INFORMATION

The demand from the private sector for beneficial ownership information is driven by a number of key factors:

Core Business Drivers: fraud and loss prevention, assessment of suppliers and partners, confidence in public procurement markets to warrant investment in tendering/bidding for projects.

Investment Drivers: assessment of potential investments and risks (including aggressive tax avoidance), application of ethical investment screens.

Integrity, Risk Management and Compliance Drivers: corruption prevention, identifying staff conflicts of interest, complying with due diligence requirements imposed by regulators-including extra-territorial responsibilities to prevent bribery or corruption-or to avoid business with politically exposed persons.

Competitive Advantage: companies highlighted that better access to information could create competitive advantages around client onboarding, corporate integrity and development of shared services or new products.

Seeking Redress or Remedy: companies or employees seeking redress for contract failures, fraud, patent trolling, violations of health and safety regulations, or illegal use of land often ran up against anonymity and the failure of law enforcement to identify perpetrators.

For financial institutions these compliance drivers have been in place for the longest, which has led to sophisticated approaches to knowing your customer. However, outside the sector, companies are increasingly under similar constraints, particularly UK or US headquartered multi-nationals. The challenge for financial institutions and companies is how to generate high-quality data. The current system presents increased complexity and cost for organisations trying to ensure they do know who they are doing business with.

The practices currently adopted by workshop participants mainly fell into four categories:

Bilateral Demand: financial institutions or companies required potential customers or suppliers to bilaterally disclose ownership to them. The definitions, thresholds and verification of this data varied significantly.

Company Registers: participants would access company registers to see certificates of registration and other information. Almost no countries provide information as most only require registration of a company contact which may be a manager, lawyer or board director. Company registers are often only accessible in person, in country, making access to this information complex and costly.

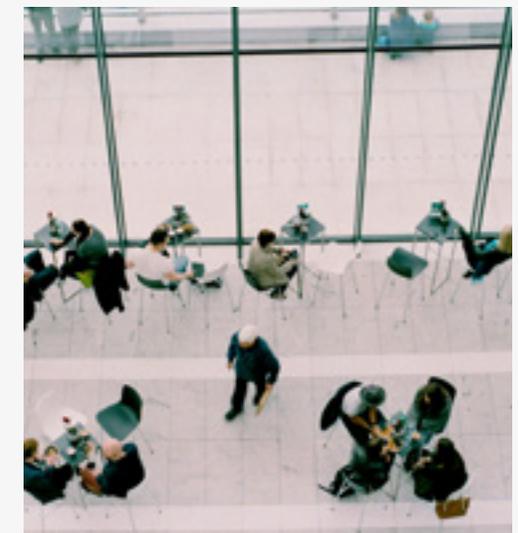
Third-Party Services: in order to augment the above and to check it against sanctions, politically exposed persons lists and potentially additional legal and other databases, most participants used third party services as part of their due diligence. However, this would be less likely to verify ownership than to check stated ownership against specific lists.

Further Investigation and Research: In some cases, participants would invest in further, more forensic, research to clarify ownership and identify risks. This is often a costly exercise and cannot be done reliably or at scale for all suppliers or customers.

The motivations and requirements on companies and financial institutions to assure that they know who they are doing business with wouldn't be obviated by access to information. However, this would provide companies a more credible and consistent place to

start. Many of the approaches above would still be used, but they would be enabled by, ideally, open data access to government-collected and validated information.

The vast majority of participants supported government action to collect, verify and make available data on who owned and controlled companies. This was seen as a market-wide transparency issue, where base information was missing or could only be collected bilaterally in a costly duplication of effort.



CHALLENGES TO TRANSPARENCY EFFORTS

There is no silver bullet to determining ownership and control of companies, particularly as those who seek to hide it will attempt new means to obscure it. The discussions highlighted a range of concerns that were particularly pertinent and important to private sector users of this information. As this debate continues at the global and national levels, it is important to keep these in mind. They are not challenges with easy technical solutions, as they present adaptive challenges that require collaboration and innovation to overcome.

Data Quality, Verification and Enforcement

The private sector's core interest lies in reliable government data. Reliability is a function of the quality and levels of verification/assurance in the process.

One key aspect of data quality is to produce structured, open data on ownership. This requires developing data standards and schemas that create consistency within and, ideally, across jurisdictions. New systems can also take steps to ensure data quality by reducing the use of open fields and linking possible common fields (citizenship, addresses, countries) to existing data so that spelling mistakes or intentional misspellings to avoid detection are eliminated or reduced.

Business expresses a demand for verification of data by governments. In some cases, this may be possible through some form of auditing or review of the data against existing government data held by other departments. For example, governments that are adopt-

ing the Open Contracting Data Standard in their public contracting will collect beneficial ownership data through these processes that could be linked.

In other cases, governments may use an enforcement regime as a key mechanism—for example, making failures to disclose or false disclosures subject to criminal and civil penalties and resourcing enforcement.

A range of actors can also contribute to verification when information is publicly available, as demonstrated during a hackathon of UK Register of Persons of Significant Control data in July 2016. This hackathon identified inaccurate, incomplete data and flagged politically exposed persons, disqualified directors and sanctions list violations.¹ In this regard, companies and financial institutions themselves have a role to play in identifying and reporting potential discrepancies.

Diverse National Approaches and Global Ownership Chains

While there is a strong desire for uniform approaches and consistency in ownership regulations and expectations, private sector actors understand that countries will develop their own approaches through domestic debate and regulation. In fact, this diversity of approaches can help determine the most effective methods over time and allow countries that are more ambitious to go further without sticking to the lowest common denominator.

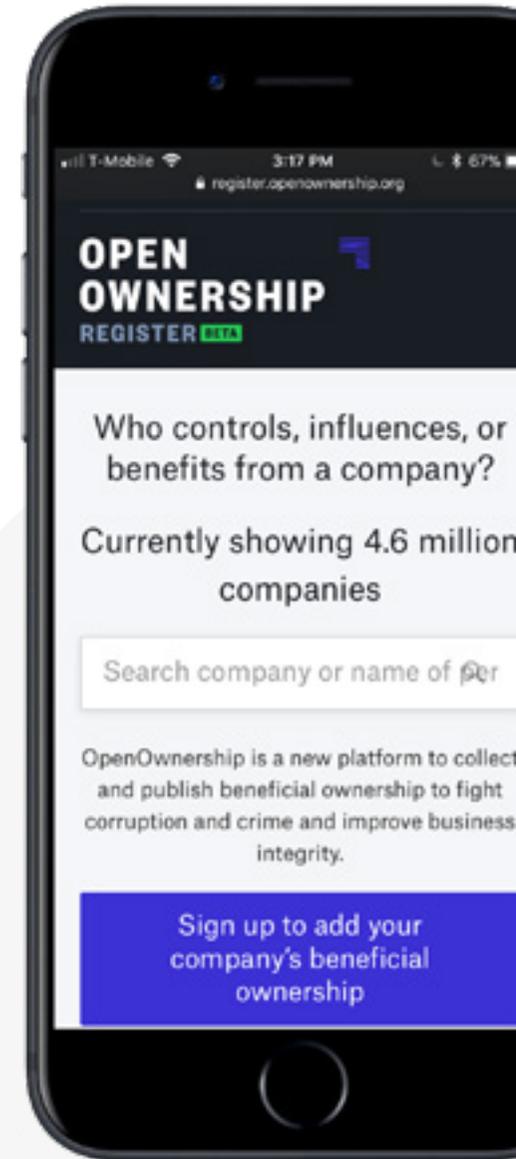
Nonetheless, there are some areas these actors hope

will converge over time – including definitions and thresholds for beneficial ownership and data standards to enable access, use, inter-connection with other data sets and quality (as discussed above).

Ownership – especially obscure chains of ownership that pose particular risks—is often transnational. The long-term imperative is to connect ownership data across jurisdictions to reveal the full chain of ownership. OpenOwnership has been developed as a platform to enable this. OpenOwnership combines a small number of national data sets with data from the Extractives Industry Transparency Initiative, which mandates all participating countries to collect beneficial ownership information from companies bidding for licences. This platform has already demonstrated the value of mapping ownership links across jurisdictions

Potential Conflicts Between Data Protection and Transparency Requirements

The recent debate on beneficial ownership transparency occurred simultaneously to the development of new data protection regimes, particularly the European Union's General Data Protection Regulation (GDPR) which came into force in May 2018. Companies consistently raised concerns about how these two areas of regulatory development will interact. In some jurisdictions, such as the United Kingdom, this issue has been dealt under exemptions for disclosure required by an enactment. With the extra-territorial coverage of the GDPR, companies need clarity on their obligations particularly as other countries adopt disclosure regimes.



¹ Global Witness analysis found 3,000 companies with tax haven addresses listed as BOs (against the rules). Their findings also suggest 19 politically exposed persons, 76 people from the US sanctions lists and 27 disqualified directors were listed as beneficial owners. See: Global Witness: What Does the UK beneficial ownership data show us? <https://www.globalwitness.org/en-gb/blog/what-does-uk-beneficial-ownership-data-show-us/>

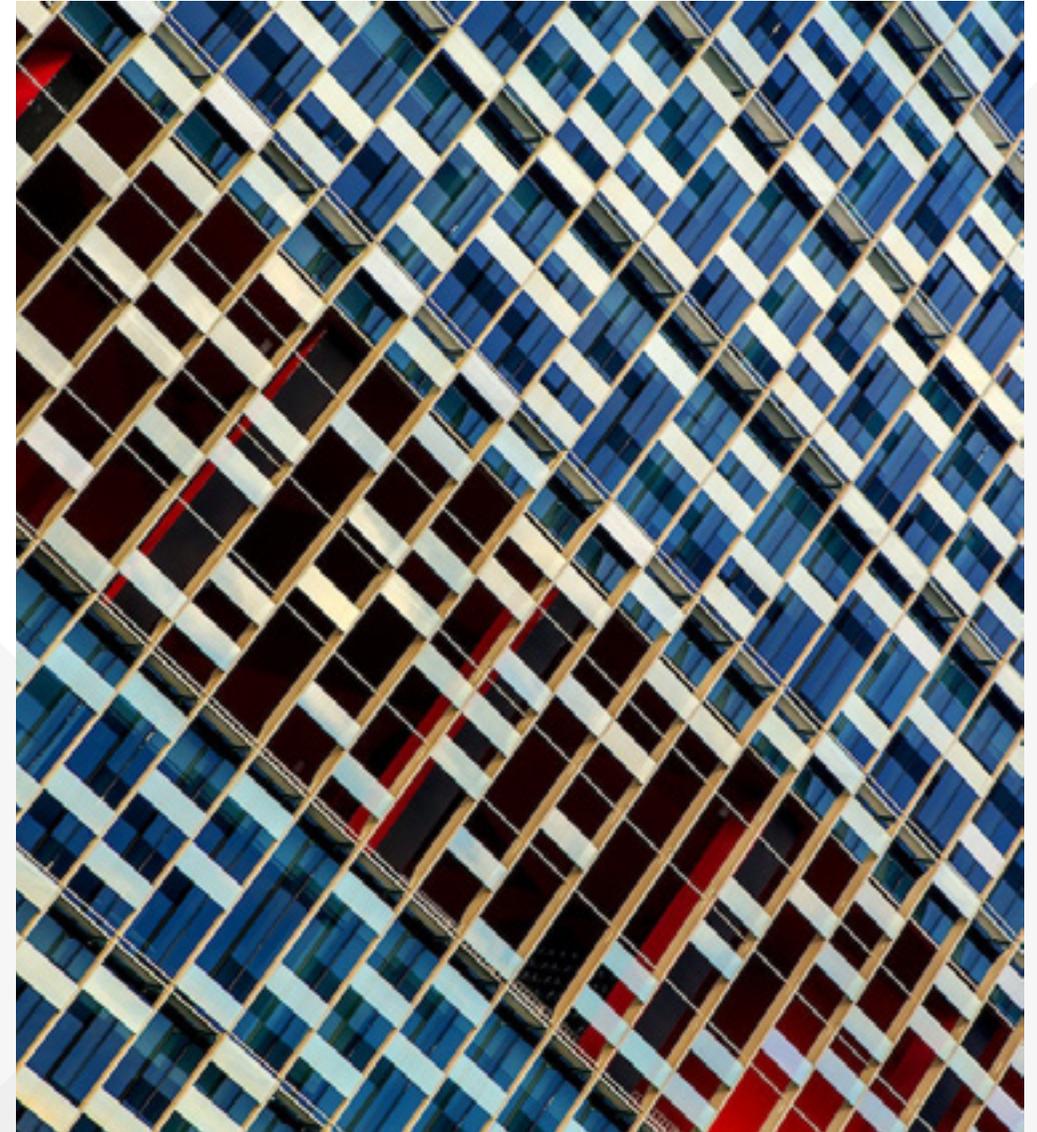
CHALLENGES TO TRANSPARENCY EFFORTS

Privacy and Security Concerns

A minor concern in discussions was the privacy and security of individuals who may be named as part of beneficial ownership transparency regimes. As a leading example, the United Kingdom has addressed privacy issues by only publishing a limited amount of information to identify an individual—the month and year rather than full date of birth and a contact address for the company, excluding private residence addresses.

While there are claims that public registers may make some people vulnerable, the lifestyles and visible wealth of individuals (through property, cars, yachts as well as celebrity and public visibility) are most likely to render them vulnerable to kidnapping or theft. Empirically, a study of income and asset declarations of public officials, who are opposed to registers on the basis of increasing the risk of kidnapping, in the Balkan countries could not find any cases where the risk materialised following implementation. If there are cases where public access would expose beneficial owners to significant security risks, exemptions should be established on a case-by-case basis so as not to create a blanket exemption that could undermine beneficial ownership transparency schemes. This is the existing approach in the UK where company beneficial owners can individually apply to restrict disclosure of their information if they are at serious risk of violence or intimidation. In the first six months of the register's operation, over 1 million companies provided information, of which 270 individuals applied to have information withheld with only five requests granted.

OF THE FIRST
1.3 MILLION
COMPANIES
THAT FILED
BENEFICIAL
OWNERSHIP
INFORMATION
ON THE UK'S
REGISTER, **ONLY 2%**
STRUGGLED
TO IDENTIFY THEIR
BENEFICIAL OWNERS.



GROWING PRIVATE SECTOR LEADERSHIP

Companies and investors recognise that markets that lack ownership transparency inhibit business with integrity. Transparency enables better allocation of capital, better relationships with partners and suppliers and a more holistic and effective approach to risk management.

Business leaders, companies and investors have been starting to address this issue through their own leadership in four key ways: articulating their support for transparency, voluntary disclosure, enhanced due diligence and encouraging transparency in their supply chains.

These actors have increasingly voiced their support for action on beneficial ownership transparency including through the B20 itself in successive policy papers under the [German](#), [Turkish](#), and [Chinese](#) G20 Presidencies. Investors with \$855 Million USD assets under management have called on the US government to act, as have major CEOs and the Clearing House Association of leading US banks. Individual companies, such as BHP, have publicly supported public disclosure requirements.

Companies have also been demonstrating their desire for public access to information through their own disclosures. Natura and Unilever published additional information in open, structured data on their own subsidiaries, BHP published a list of entities in low-tax jurisdictions with information on why those entities existed and The B Team Responsi-

ble Tax Principles, which nine leading multinationals have endorsed, ask companies to publish a list of all entities with ownership information.

Financial institutions and companies have also been enhancing their own approaches, including lowering thresholds for examining beneficial ownership (for example, down to 10 percent ownership).

“For a business like ours, it is absolutely fundamental that we have public acceptance and trust in our business. And if you’re not transparent, you can’t have any hope of having trust.”

The private sector has also been helping shape technology such as the OpenOwnership Register. A Private Sector Advisory Group of ten companies from the pharmaceutical, extractive, finance, investment, publishing, legal and insurance industries have been involved in identifying needs and providing feedback on the beta development of the platform. Companies are continuing to develop approaches to disclosure and supply chain integration as part of this group.

This private sector leadership demonstrates the demand and support for action by governments and the willingness to work together to address market-wide transparency challenges.



Geoff Healy, Chief External Affairs Officer of BHP joins Pavlo Petrenko, Minister of Justice of Ukraine, to discuss BHP’s commitment to transparency. Photo by Riccardo Savi

WHAT'S NEXT?

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THE B TEAM



The past five years have seen a watershed on beneficial ownership transparency: a widespread consensus that, at minimum, disclosure of who owns and controls a company should be a condition of operating in a market and that, at maximum, public access to that information can support better business environments and greater social accountability.

As many more countries move toward finalising and

implementing reforms, now is the time to collectively address the issues that concern us all—the quality, inter-connectedness and standardisation of data, and the harmonisation between data protection and transparency requirements.

At the G20, these issues are critical to priority agendas on infrastructure and conflicts of interest. We need the G20 to stay the course in considering how countries are implementing the G20 High Level

Principles on Beneficial Ownership Transparency, what is being learnt and how the G20 can continue to lead. We must sustain the focus and attention needed to create transparent markets fit for the 21st century.

In OGP Commitments, 15 countries (including: Australia, Bulgaria, France, Ghana, Ireland, Kenya, Mongolia, Nigeria, Norway, Slovakia, South Africa, UK, US, Ukraine and Liberia) have committed to addressing beneficial ownership transparency in some form in their national action plans. The B Team is working with OGP to bring more private sector voices to the table to make the business case to governments in order to accelerate government progress on this issue.

The 5th EU Anti-Money Laundering Directive now requires public disclosure of beneficial ownership information market-wide across the EU. This is a great step forward, but in order to truly enable greater integrity in business across the region, Member States should strongly consider the application of open data to their public registers. This will facilitate easy access and use of data, as well as enable verification and visibility of ownership across borders and is critical for ensuring the data is useful for private sector actors, enabling enhanced compliance and due diligence. This includes connecting to other data sets like the OpenOwnership Register.

On US Legislation, bills to advance beneficial ownership transparency have been introduced in

the US House of Representatives and the Senate. A hearing convened by the House Financial Services Committee was held on the bill in December 2018, where lawmakers heard widespread support for the bill from law enforcement organizations, financial institutions, small and large business organizations and civil society groups for passing this legislation. A similar hearing was held on the Senate side bringing the total of hearings on beneficial ownership in 2018 to three—a major sign that momentum on this issue is growing in Washington. Important voices from the financial sector, such as the [National Association of Realtors](#) and [The Clearing House](#) have sent letters to Congress urging action to address this problem. Additionally, B Team Leaders and CEOs Andrew Liveris, Paul Polman, Marc Benioff, François-Henri Pinault, Oliver Bäte and Josh Bayliss [sent a letter](#) to key members of Congress in support of these legislative efforts. A mark-up of the bill is anticipated for mid-April 2018.

(Pictured Left) Sanjay Pradhan, CEO of OGP, joins Bob Collymore, CEO of Safaricom, to announce OGP and The B Team's partnership to drive private sector action on ownership transparency. Photo by Riccardo Savi

“ Corruption,
exploitation, inequality,
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SHARAN BURROW
VICE-CHAIR, THE B TEAM
GENERAL SECRETARY, INTERNATIONAL
TRADE UNION CONFEDERATION



THE B TEAM

For more information on The B Team's action
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