

**Recommendations of Transparency International to the OECD Working Group
Regarding
PHASE 2 IN-COUNTRY REVIEW OF FINLAND**

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TO: THE OECD WORKING GROUP

Transparency International would like to thank the Finnish authorities for their favourable response to the request of BIAC, ICC, TI & TUAC that Phase 2 of the OECD Monitoring Process include the opportunity for a consultation with the private sector, the trade unions and civil society and for making available the Finnish reply to the OECD Phase 2 Questionnaire. The information contained in the response contributed significantly to the ability of the parties to the consultation to have a more meaningful discussion and to focus more effectively on those issues that are of greatest relevance to the private sector and other non-governmental groups in Finland.

The Finnish authorities are also to be commended for Finland's first place 9.9 ranking in the 2001 Transparency International Corruption Perception Index (CPI) - the country whose public officials and politicians were perceived by business people, academics and risk analysts to be the least corrupt among the 91 countries surveyed.

We would also like to express our appreciation to the OECD secretariat and the Finnish authorities for their cooperation and assistance in arranging a very successful five hour consultation with the private sector (including civil society and the trade unions) attended by approximately fifteen representatives of the four groups (and the Finnish accounting firms) who actively participated in the discussions.

As contemplated by the Initial Proposed Framework for Private Sector, Trade Union and Civil Society Consultations dated August 6, 2001, Transparency International is now providing for consideration by the OECD Working Group, a number of written recommendations which arise from and reflect the discussions which took place at the consultation on September 12th in Helsinki. These recommendations include (under Sections 2 and 3) the six recommendations tabled at the consultation by the representative of the Finnish accounting firms. Transparency International agrees with and endorses these recommendations.

October 29, 2001

TI RECOMMENDATIONS

1. Awareness of Convention & Finnish Legislation

In order to encourage compliance, the provisions of the Convention and Finnish implementing law should be made better known to a broad audience, including the business community, lawyers, trade unions, media associations and civil society organizations. In particular:-

- the Finnish government should publish and circulate a summary of the new law and should include the topic in government sponsored conferences and seminars;
- Finnish business associations:-(Confederation of Finnish Industry & Employers and ICC Finland) should publicize the new law in trade magazines and educational seminars for the business community; and
- the Finnish Advocates Association should be encouraged to publish and distribute to its members a summary of the legislation, and to include the new law on its agenda for legal seminars and conferences.

2. Anti-Bribery Compliance Programs (Codes of Conduct)

- ***Survey of Finnish Companies***

In order to encourage Finnish companies to adopt and implement effective anti-bribery compliance programmes, a joint project should be undertaken between the Confederation of Finnish Industry and Employers, ICC and TI and other interested parties:-

- to conduct a survey of Finnish companies engaged in international trade to gather information on the extent to which these companies are following global best practices in the area of corporate compliance, such as the guidance issued by:
 - *ICC (Rules of Conduct and ICC Corporate Practices Manual "Fighting Bribery")*
 - *OECD ("Principles of Corporate Governance")*, and
 - *other internationally recognized sources; and*
- to publish the results of such survey to encourage companies to adopt best practices.

3. Accounting Recommendations

- ***Applicability of Books and Records Requirements to Foreign Subsidiaries***

Consider whether Finnish laws need to be modified to be applicable to foreign subsidiaries and affiliates. While Finland has legal requirements for the keeping of books and records for Finnish companies, these requirements should be consistently applied to their foreign subsidiaries and related entities over which the company has significant influence or, at least, where the Company has a controlling interest. The Finnish laws and regulations should hold the Finnish parent company responsible for the books and records of the foreign entities in which the parent has a controlling interest, to the same extent as the parent company's domestic books and records. In effect, all entities included in the parent company's consolidated financial statements should be subject to the same books and records requirements.

- ***IAS Requirements***

Where there is an absence of Finnish accounting standards relating to a particular matter (as identified in the GAAP 2000 comparison to International Accounting Standards (IAS)), relating to a particular matter, consider adopting a requirement for listed companies to use the IAS for that matter (for example – related party disclosure).

- ***Requirement for Adequate System of Internal Control***

Explicitly adopt a requirement for companies to have an adequate system of internal controls. Develop or adopt a framework for best practice reference as a guide as to what constitutes an adequate system of internal control that meets or exceeds the recommendations of recognized internal control studies

- *The Combined Code: Committee on Corporate Governance, (1998, U.K.),*
- *CoCo: Guidance on Control-Control and Governance (1995, Canada),*
- *COSO: Internal Control – Integrated Framework, (1992, U.S.).*

- ***Management to Report on Internal Controls in Annual Report***

The Confederation of Finnish Industry and Employers and ICC Finland should consider adopting and endorsing the recommendation of the International Financial Executives Institute (FEI) recommending that management report on internal controls in the annual report.

4. Further Study

Finland's Department of Foreign Affairs should consider providing funding for the purpose of carrying out further research in order to update previous studies to analyze, in the light of the Convention and the new Finnish anti-bribery law, the current difficulties faced by Finnish companies and their foreign subsidiaries with problems of bribery and corruption, with particular emphasis on business in Russia and the Baltic countries.

5. Foreign Aid and Export Credit Guarantees

The Finnish government (if not already doing so) should:-

- implement the new requirement agreed to by the OECD Export Credit Working Group in November, 2000 regarding no-bribery statements by applicants for export credits,
- adopt a policy of inserting specific anti-bribery provisions in all of its agreements relating to foreign aid projects,
- consider adding a requirement for disclosure of payments to foreign sales representatives,
- adopt a policy whereby, if a company is found to have breached the contractual “no-bribery” provisions, the export credit guarantees relating to such contract become null and void and the company is thereafter precluded, for an appropriate period of time, from additional export credit guarantees by the Finnish state, and
- improve public access to information relating to export credit guarantees.

6. Political Contributions

The Finnish government should consider establishing a requirement, as exists in many other countries, that donors and recipients of contributions to political parties and to candidates for public office be required to promptly disclose the name of the donor and the recipient and the amount contributed for all payments above a nominal amount.

7. Foreign Subsidiaries

Finnish authorities should closely monitor the application of Finnish law to foreign subsidiaries controlled by Finnish companies to ensure that those subsidiaries are brought under the regime of Finnish law.

8. Government Support re Solicitation

The Finnish Government should consider setting up a program whereby they can assist Finnish companies who are confronted with demands for bribes from foreign public officials. Some countries have set up formal help lines. Also, working with other OECD governments and their ambassadors to jointly intercede with a government where officials are demanding bribes may be a more effective technique than a Finnish ambassador addressing the problem alone.

9. Whistleblower Protection

Finnish authorities should provide protection for whistleblowers as representing an important step in encouraging the disclosure of wrongdoing.

10. Consultations with Civil Society

The Finnish government should conduct periodic consultations with civil society representatives to hear their views on the effectiveness of Finnish enforcement of the legislation implementing the OECD Convention.

TI/ 2 November 2001

October 29, 2001