27th Meeting of the Wiesbaden Group on Business Registers - Online International Roundtable on Statistical Business Registers Management under the COVID-19 pandemic
Mexico, 20 – 24 September 2021 *Nancy Snyder, Ilaria Di Matteo* *UN Statistics Division* *Graham Pilgrim, Rodolfo Ostolaza* *OECD* *Session No. 6* Profiling and Large Cases Units - Practical Aspects of reflecting Multinationals correctly in the Business Registers
Future Improvements and Collaboration on the GGR and ADIMA

Abstract

The production of goods and services has become increasingly fragmented across countries in the last decades, mostly organized through multi-national enterprises (MNEs) with affiliates in many countries performing various parts of the production process. Therefore, understanding the structures, governance and business strategy of such MNE groups is crucially important for the analysis of globalization and global value chains (GVCs). The first step in understanding such MNE groups is identifying the firms that are part of such groups, recording their locations of operations, mapping their relationships to other firms in the group, and identifying the ultimate controlling institutional unit (UCI). Building on the recommendations of the Friends of the Chair on the Measurement of International Trade and Economic Globalization and Eurostat's work on the EuroGroups Register (EGR), the UN Statistical Commission recognized the need for such a business register at the global level and endorsed the promotion and advancement of the creation of a global enterprise group register at its 46th session (UNSC Decision 46/107).[1]

Since then, a number of initiatives took place in the development of such registers. The United Nations Statistics Division (UNSD) released the first experimental edition of the Global Groups Register (GGR) in 2020 which included profiles of about 135 MNEs based on publicly available data, most notably from company annual reports and financial filings and the Global Legal Entity Identifier (GLEIF) database, and containing the legal structure of the MNE, together with the location of the affiliates and subsidiaries, and the detailed types of relationship between members of the group. Since 2018, the OECD has released annual updates of the Analytical Database in Individual Multinationals and their affiliates (ADIMA) for the largest 500 MNEs based on public sources containing the profiles of the MNEs and also an estimation of the digital presence of the MNEs across countries.

The GGR and ADIMA are very similar in structure and content. Preliminary analyses of the two databases show a consistent picture of the MNEs structure and fairly aligned profiling methods. OECD and UNSD have therefore decided to join hands in the development of a

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[1] UNSC Decision 46/107. https://unstats.un.org/unsd/trade/events/2016/newyork-egm/documents/core/Decision%2046-107%20-%20Statistical%20Commission%202015.pdf.

joint product that will provide countries with a joint product on the legal profile of the largest MNEs.

The paper will review the progress of work in the GGR and ADIMA and will outline the main elements of the future collaboration between UNSD and OECD on the further development of a global group register.

Keywords: multinational enterprise (MNE), profiling, globalization, global value chain (GVC), global group register.

1 Introduction

The production of goods and services has become increasingly fragmented across countries in the last decades, mostly organized through multi-national enterprises (MNEs) with affiliates in many countries performing various parts of the production process. Therefore, understanding the structures, governance and business strategy of MNE groups is crucially important for the analysis of globalization and global value chains (GVCs).

Eurostat recognized the need to increase the consistency, coherence, and quality of national Statistical Business Registers (SBRs) of the members of the European Statistical System (ESS), especially with respect to the statistics on MNEs and their foreign affiliates. Thus, in 2008, Eurostat developed the first EuroGroups Register (EGR),[2] a harmonized population frame of enterprise groups operating within the EU from which the ESS member countries can consistently draw their samples. To create the EGR, Eurostat collects information on all statistical units belonging to enterprise groups from the NSOs in the ESS and, after a thorough and complex consolidation and validation process, the EGR presents harmonised information on the structure of all enterprise groups within the national economic territories of ESS member states. The EGR frames are produced on a yearly basis and the process includes several data exchanges between Eurostat and the NSOs via a secure platform. The EGR coordinated frame populations are only accessible to official ESS statisticians maintaining a national SBR or using them for the production of globalization statistics. The launch of the EGR was made possible by the entry into force of a renewed EU Regulation[3] on SBRs, which regulated the exchange of confidential data in the ESS.

In 2013, the United Nations Statistical Commission (UNSC) recognized the need for an overarching measurement framework for international trade and economic globalization and thus established the Friends of the Chair on the Measurement of International Trade and Economic Globalization ("the Friends of the Chair"). The Friends of the Chair recognized that the existence of a global enterprise group register (complementing, to a certain extent, the EGR) that shows the legal structure of the largest MNEs would assist countries to understand the non-national part of the MNEs in their country; facilitate the data sharing among countries using the GGR as a common, public source; and, more generally, aid the analysis of globalization effects and global value chains.

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[2] The EGR 1.0 was published in 2008, followed by development of EGR 2.0, which has been operational since 2014.

[3] European Parliament and Council Regulation 177/2008 established a common framework for business registers for statistical purposes, together with Commission Regulation 192/2009 and Commission Regulation 1097/2010. In particular article 10 of Regulation 177/2008 regulated the exchange of confidential data in the ESS.

Based on the recommendations of the Friends of the Chair and Eurostat's work on the EGR, the United Nations Statistical Commission recognized the need for such a business register at the global level and endorsed the promotion and advancement of the creation of a global enterprise group register at its 46th session (UNSC Decision 46/107).[4]

A multinational enterprise group register at the global level will make significant progress in presenting a harmonized global view of MNEs and their links among enterprises in different countries and will indicate how control is exercised throughout a GVC. This harmonized view of MNEs will ultimately allow for disentangling the country of the entity that ultimately owns or controls a subsidiary (which will improve statistics on the activity of foreign affiliates and foreign direct investment); identifying the country where intellectual property may reside; tailored reconciliation of bilateral asymmetries (in trade and financial flows); establishing warning systems for events with potentially large impacts on economic statistics, such as corporate investments and inversions; and enabling data sharing among countries by having a common global repository of company names, addresses, unique IDs and relationships.

In response to the UNSC decision, the United Nations Statistics Division (UNSD), in collaboration with Eurostat, examined various methods for building a global group register based on public information that would complement the EGR (see, for example, Liotti and Jansen (2016)[1]) and in December 2020 published the first experimental release of the Global Group Register (GGR), a public, open-source database containing profiles of the world's largest 100+ MNEs as a proof of concept. In contrast with the EGR, which is built from the national statistical business registers of EU Member States, the GGR is built from publicly available sources. OECD also recognized the need for a global business register and in 2018 it released the Analytical Database on Individual Multinationals and Affiliates (ADIMA), based on public sources.[5]

Section 2 of this paper provides a short description of GGR and ADIMA and outlines similarities and the differences between these registers. Section 3 provides an overview of the main elements of future collaboration on a joint product.

2 GGR and ADIMA

GGR and ADIMA have very similar objectives, namely providing a public database on the names and locations of global affiliates of the world's largest multinational enterprise groups in order to improve the availability of information on the legal structure of multinational enterprise groups to support analyses of globalization and global value chains and facilitate production of Foreign Affiliate Statistics (FATS) and Foreign Direct Investment (FDI). Given this, UNSD and OECD have started a close review of their similarities and differences in order to identify ways to combine efforts and develop a common global project on MNE profiling. This section provides a short description of the GGR and ADIMA and present the common elements and the differences.

The GGR is a publicly available register of the world's largest MNEs, containing their hierarchical legal structure, including detailed locations of their global affiliates and

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[4] UNSC Decision 46/107. https://unstats.un.org/unsd/trade/events/2016/newyork-egm/documents/core/Decision%2046-107%20-%20Statistical%20Commission%202015.pdf.

[5] The 2018 release of ADIMA included the profiles of 100 MNEs, expanding to the largest 500 MNEs in the 2019 and 2020 release. OECD also produces a monitoring report on major corporate restructurings, based on company press releases on mergers and acquisitions.

subsidiaries (both legal and headquarters location), and the types of relationship between the companies within the MNE group, including exact ownership percentages held by direct and ultimate parents of the affiliates, when available.

More specifically, the GGR contains the following information:
- Names of the MNE group heads[6] and their affiliated companies[7]
- GGR ID # of each company (unique to the GGR)
- Legal Entity Identifier, when available (as assigned by the Global Legal Entity Identifier Foundation[8])
- Country/Area and city of jurisdiction (both of legal location and headquarters)
- Industry sector, when known
- URL of the corporate website
- Name(s) (and GGR IDs and LEIs) of the direct parent[9] company(-ies), type of relationship,[10]
  and their percentage ownership or interest, when available
- Name(s) (and GGR IDs and LEIs) of the ultimate parent[11]
- Sources used to collect the information on each affiliate

It is important to note that the GGR currently includes wholly-owned, majority-owned/controlled, and non-controlled affiliates, identifies joint ventures, and includes state-owned enterprises if the MNE group is truly multi-national, but does not include branches.

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[6] GGR defines the MNE Group Head as the ultimate controlling unit over which no other company has ownership or control.

[7] GGR defines an affiliate as a company over which a parent company owns some percentage greater than zero. The GGR includes both controlled affiliates (over which a parent owns at least 50%) and non-controlled affiliates in order to show the most complete picture of the MNE group head.

[8] Global Legal Entity Identifier Foundation. https://www.gleif.org/en/.

[9] GGR defines a Parent as a company that has some control or influence over another company.

[10] The relationship of a company with its parent in the GGR can be either: **Subsidiary**: when the parent controls the child company (i.e., when the parent controls or owns 50% or more of the child company. Generally, control implies that the parent company owns more than 50% of the child entity. However, in many cases, a company's Annual Report or consolidated financial statements identifies subsidiaries in which the parent owns exactly 50% of the child company. In these cases, the parent may have other power or rights that grant it control. Therefore, if the Annual Reports or financial statements identify an entity as a subsidiary, it is included in the GGR as a subsidiary). The GGR indicates the exact percentage ownership when available (generally from the company's annual reports); **Non-subsidiary Affiliate**: when a parent partially owns (or has a non-controlling interest in) the child company (i.e., generally holding less than 50% ownership or interest). The GGR indicates the exact percentage of ownership and/or interest, when available (generally from the company's annual reports); **Unknown**: when the annual report, corporate website and/or GLEIF identifies an affiliate of an MNE group but it is unclear from the source whether it is controlled or minority-owned; or **Joint Venture**: a business arrangement in which companies pool their resources in a commercial enterprise but otherwise retain their distinct identities.

[11] An ultimate parent is defined as the highest-level legal entity preparing consolidated financial statements, based on the accounting definition of consolidation applying to this parent. Under IFRS accounting standards, accounting consolidation generally applies when there is control (according to IFRS standard 10). In the GGR, a parent is only identified as an Ultimate Parent if the source for the relationship is the Global Legal Entity Identifier Foundation (GLEIF), the company's Annual Report, its annual financial filing with a financial regulator (e.g., 10-K), on the company's website. In practice, the ultimate parent in the GGR is typically the MNE Group Head.

The GGR is built exclusively from public data sources, with no confidential information from NSOs or from the companies. These public data sources include: company annual reports, which usually list all of their (majority-owned) subsidiaries, with country of location and exact percentage of ownership; the company's regulatory financial filings, which are sometimes either included in, or are more detailed than, the annual reports; the Global Legal Entity Identifier Foundation (GLEIF),[12] which assigns unique identifiers (LEIs) to companies in the database, their legal and headquarters mailing addresses, and to some extent, relationship information on "who owns whom" (among entities that are included in the GLEIF database); corporate websites; results from Google searches; Wikipedia; and Refinitiv Perm ID,[13] which publishes addresses and LEIs of an expanding list of companies worldwide.

Each MNE is profiled based on the information collected from the various data sources. Once the profile is finalized, validation procedures are applied for each MNE for internal consistency of the information and removal of duplications. Also, once the profiles of the MNEs are put together into the database. Additional validation procedures are carried out across MNEs.

The 2020 edition of the GGR contains the profiles of the 135 large MNEs (in terms of annual revenues), including a total of over 40,000 affiliates. On average, the MNEs in the GGR have about 297 affiliates around the world. The physical presence of the MNEs in the GGR varies from 2 countries to 119 countries. A visual snapshot of the GGR is being developed and will soon be made available on the GGR's website.[14]

The GGR is available for download in Excel format and includes a User Guide.[15] However, the data are stored in a graph database and interactive visualization tools are being developed in order for the users to query and visualize the data.

UNSD plans to update the GGR annually based on updated data sources and to expand the scope of profiled MNE groups and to build a dashboard to allow users to more easily visualize, query and extract the data. Furthermore, the concepts and methods for the profiling of the MNEs will continue to be improved under the guidance of the UN Committee of Experts on Business and Trade Statistics (UNCEBTS) and with the inputs of countries. The UNCEBTS was established by the UNSC at its 50th session in March 2019.[16] Within the broader context of an integrated economic statistics framework, the objective of the UNCEBTS is to strengthen the basic business statistics needed for the overall improvement of economic statistics and for responding to emerging needs in the areas of business and trade statistics.

ADIMA is a register of MNEs containing their legal structure. Currently ADIMA contains the profiles of 500 MNEs, including a total of approximately 145,000 affiliates, including their country of jurisdiction and "digital presence", or a register of each MNEs' websites.

ADIMA is based on similar data sources as those employed by GGR, but extends this further to utilize SSL certificates and markup from company websites; public business registers

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[12] https://www.gleif.org/en/.

[13] PermIDs are open, permanent and universal identifiers where underlying attributes capture the context of the identity they each represent. PermIDs are available through a free and open license. https://permid.org/.

[14] https://unstats.un.org/unsd/business-stat/GGR/.

[15] Available on the GGR website at: https://unstats.un.org/unsd/business-stat/GGR/.

[16] UNSC Decision 50/111. https://unstats.un.org/unsd/statcom/decisions-ref/?code=50/111.

available in some countries; WikiData; and GDELT.[17] The methodology applied[18] uses a directed graph database structure that allows for the association of concepts beyond physical affiliates to each MNE. The Digital Register is possible by associating websites with each MNE. Monitoring of MNE-related news via GDELT serves as an early warning system to identify possible significant mergers, acquisitions or dissolutions that could affect companies in ADIMA.

The linking of Wikipedia concepts to Google Identifiers further permits tracking of Google trends in searches of the websites, which can serve as an indicator or proxy of company activity. OECD has also linked information from PermID on gender diversity of company board members[19]. OECD is also exploring ways to visualize the data for users.

3 Collaboration on GGR and ADIMA

As noted above, the GGR and ADIMA use similar data sources in terms of identifying locations of MNE global head and affiliates, but have different methodologies. Both datasets can be used for profiling. Based on an initial assessment conducted by UNSD and OECD, the two products are comparable in terms of coverage.

The main difference between GGR and ADIMA in output is that: (1) the GGR has explicit hierarchical relationships and detailed ownership percentages, where this information is available; and (2) ADIMA includes a Digital Register of all websites of MNEs and monitors events that could affect MNEs structure.

There are several advantages in developing a common global project on MNE profiling. The first is to provide a consistent picture of the MNEs globally. Avoiding the dissemination of two separate but very similar products will limit the possibility of conflicting information and ultimately raise the quality of, and confidence in, the product. In addition, the profiling of MNEs is extremely resource intensive. Although there are continuous efforts being made to automate the process, sharing resources among the organizations will allow for a more efficient and effective process. Finally, by working together, we can explore more rapidly extensions and expansions of the common register can be explored more rapidly.

UNSD and OECD have started the technical discussion on the development of this joint project, which entails reaching agreement on the content of the register in terms of variables, coverage (in terms of the MNE heads and in terms of the coverage in their profiles), the harmonization of profiling methods and validation procedures. In addition, UNSD and OECD are developing a common strategy for the involvement of countries in the validation of the register and possibly the input of their data into the register.

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[17] Supported by Google Jigsaw, the GDELT Project monitors the world's broadcast, print, and web news from nearly every corner of every country in over 100 languages and identifies the people, locations, organizations, themes, sources, emotions, counts, quotes, images and events driving our global society every second of every day, creating a free open platform for computing on the entire world. https://www.gdeltproject.org/.
[18] Full information on the methodology applied by ADIMA can be found here: https://www.oecd.org/sdd/its/ADIMA-Methodology.pdf.
[19] Gender diversity article can be found here: https://www.oecd.org/gender/data/what-big-data-can-tell-us-about-women-on-boards.htm and a more detailed analysis for the energy industry in collaboration with the IEA can be found here: https://www.iea.org/commentaries/women-in-senior-management-roles-at-energy-firms-remains-stubbornly-low-but-efforts-to-improve-gender-diversity-are-moving-apace.

The development of this common register is seen as a global public good and it will be developed with input from UNCEBTS and the OECD Working Party on Trade in Goods and Services Statistics (WPTGS).

UNSD and OECD are working towards the formulation of a global project on MNE profiling within the next months with the aim of releasing a joint product at the end of 2022.

References

[1] Liotti, A. & Jansen, R. (2016). Developing a Global Statistical Register for Multi-National Enterprise Groups: Lessons learned from the Euro Groups Register. Tokyo. 25th Meeting of the Wiesbaden Group on Business Registers. Retrieved from http://www.stat.go.jp/english/info/meetings/wiesbaden2016/pdf/7-05_eun_pap.pdf