

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

ULTRA ELECTRONICS HOLDINGS PLC

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	7/8
2. Internal Controls	6	8/12
3. Support to Employees	7	7/14
4. Conflict of Interest	4	1/8
5. Customer Engagement	7	2/14
6. Supply Chain Management	5	1/10
7. Agents, Intermediaries and Joint Ventures	10	4/20
8. Offsets	4	2/8
9. High Risk Markets	4	5/8
10. State-Owned Enterprises	0	N/A
TOTAL		37/102
BAND		D

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
1
Comments
Based on publicly available information, there is evidence that the company's leadership endorses the company's Statement on Ethics and Business Conduct, which outlines the company's zero tolerance stance toward bribery and corruption. The company receives the score of '1' because its leadership statement does not directly mention bribery and corruption.
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 1] "The integrity of Ultra Electronics' businesses rests on the integrity of its employees." Simon Pryce Chief Executive Officer</p> <p>[p. 2] "Ultra is committed to effective corporate governance. Having the right people, doing the right things and in the right way is at the core of Ultra's compliance framework. The Board sets the tone for ethical standards across the Group. High standards of integrity and ethical behaviour are expected from every employee. Ultra's values of responsibility, authority and accountability and an established commitment of 'delivering on our promises', promote and endorse this behaviour." Douglas Caster Chairman</p> <p>[p. 6] Ultra adopts a zero tolerance approach to bribery and corruption.</p> <p>[1] Corporate responsibility (Webpage) Accessed 04/06/2019 https://www.ultra-electronics.com/about-us/corporate-responsibility Ultra recognises its commitments and its reputation for meeting them, believing that a successful and sustainable business is built on more than just financial results.</p> <p>Ultra is committed to maintaining high standards of business ethics as part of being a responsible business. The Group endeavours to uphold the honest and transparent business both internally and externally.</p> <p>[2] Code of Ethics and Business Conduct (Webpage) Accessed 04/06/2019 https://www.ultra-electronics.com/about-us/corporate-responsibility/ethical-business-conduct It is the policy of Ultra Electronics that all employees will comply with all laws governing its operations and will conduct business affairs in an ethical manner. The company and its employees will maintain high standards of personal conduct and integrity at all times in carrying out the company's affairs.</p> <p>Ultra Electronics and its divisions and operating businesses require that all employees conduct themselves in ways that demonstrate high ethical standards in all of their dealings with customers, suppliers, governments, the public and each other. The integrity of Ultra Electronics' businesses rests on the integrity of its employees.</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 1] 1.1 It is our policy to conduct all of our business in an honest and ethical manner. We take a zero –tolerance approach to bribery and corruption and are committed to:</p>

- (a) Acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate; and
- (b) Implementing and enforcing effective systems to counter bribery.

[5] Annual Report and Accounts 2018 (Document)

Accessed 04/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 24] Ultra is committed to maintaining high standards of business ethics as part of being a responsible business. The Group endeavours to uphold the rights of its employees as well as creating an honest and transparent business both internally and externally.

[...]

Meeting legal and ethical standards

Ultra requires all employees, businesses and third parties, who act on Ultra's behalf, to comply with the applicable laws and regulations of the countries in which it does business. Ultra is committed to operating in accordance with all legislative requirements, including those pertaining to anti-corruption and bribery practices, competition and antitrust laws and relevant national export control regulations. Ultra has a corporate ethics code, which encompasses a gifts and hospitality policy. All Ultra businesses are required to report on compliance with the corporate ethics code monthly and the Board reviews compliance with the code twice a year. Ultra's ethics code can be found within Ultra's Policy Statement on Ethics and Business Conduct along with its policies on anti-corruption and anti-bribery, competition compliance and gifts and corporate hospitality.

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company publishes a clear anti-bribery and corruption policy, which specifically prohibits bribery, commercial bribery and facilitation payments. The policy applies to directors and all employees as described in (a) and (b) in the question.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 1] 1.1 It is our policy to conduct all of our business in an honest and ethical manner. We take a zero –tolerance approach to bribery and corruption and are committed to:</p> <p>(a) Acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate; and</p> <p>(b) Implementing and enforcing effective systems to counter bribery.</p> <p>[...]</p> <p>Who is Covered by this policy? This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).</p> <p>In this policy, third party means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers and government and officials, politicians and political parties.</p> <p>[p. 2] Examples: WHAT IS BRIBERY? A bribe is an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage.</p> <p>Offering a bribe You offer a potential client tickets to a major sporting event, but only if they agree to do business with us. This would be an offence as you are making the offer to gain a commercial and contractual advantage. We may also be found to have committed an offence because the offer has been made to obtain business for us. It may also be an offence for the potential client to accept your offer.</p> <p>Receiving a bribe A supplier gives your nephew a job, but makes it clear that in return they expect you to use your influence in our organisation to ensure we continue to do business with them. It is an offence for a supplier to make such an offer. It would be an offence for you to accept the offer as you would be doing so to gain a personal advantage.</p> <p>Bribing a foreign official You arrange for the business to pay an additional payment to a foreign official to speed up an administrative process, such as clearing our goods through customs. The offence of bribing a foreign official has been committed as soon as the offer is made. This is because it is made to gain a business advantage for us. We may also be found to have committed an offence.</p> <p>[p. 3] 5. WHAT IS NOT ACCEPTABLE? It is not acceptable for you (or someone on your behalf) to:</p>

- (a) Give, promise to give, or offer, a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given;
- (b) Give, promise to give, or offer, a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure;
- (c) Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them;
- (d) Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return;
- (e) Threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy: or
- (f) Engage in any activity that might lead to a breach of this policy.

6.FACILITATION PAYMENTS AND KICKBACKS

6.1 We do not make, and will not accept, facilitation payments or “kickbacks” of any kind. Facilitation payments are typically small, unofficial payments made to secure or expedite a routine government action by a government official. They are not commonly paid in the UK, but are common in some other jurisdictions.

[p. 4] 6.2 If you are asked to make a payment on our behalf, you should always be mindful of what the payment is for and whether the amount requested is proportionate to the goods or services provided. You should always ask for a receipt which details the reason for the payment. If you have any suspicions, concerns or queries regarding the payment, you should raise these with your line manager.

6.3 Kickbacks are typically payments made in return of a business favour or advantage. All workers must avoid any activity that might lead to, or suggest, that a facilitation payment or kickback will be made or accepted by us.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
2
Comments
<p>Based on publicly available information, there is evidence that responsibility for oversight of the company's anti-bribery and corruption programme sits at board level. Both the company's Ethics Overview Committee and the board itself engage in formal oversight functions such as reviewing reports from management on the programme's performance, along with the results of audits, and there is evidence that these entities have the authority to require that changes are made.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 4] Ethics Overview Committee</p> <p>The Ethics Overview Committee was formed in 2008 with the remit to provide independent advice and scrutiny of Ultra's business activity, providing assurance that the Group's current and planned undertakings are conducted in a manner consistent with the legislative environment and are transparent. The Committee comprises six permanent members, three of whom, including the Chairman, are independent.</p> <p>Independent members of Ultra's Ethics Overview Committee comprise of:</p> <ul style="list-style-type: none"> - David Shattock, ex-Chief Constable in command of Dyfed Powys and Avon & Somerset forces; - Martin Bell, journalist and ex-independent MP for Tatton; and - Major General Tim Cross (Retired), who commanded a Division of the UK Field Army. <p>The Committee members from Ultra are:</p> <ul style="list-style-type: none"> -Simon Pryce, Chief Executive Officer; -Anant Prakash, Group Company Secretary & General Counsel; and -Mike Baptist, Managing Director of the Communication and Securities Division. <p>The Committee meets quarterly. It provides assurance that Ultra's business is being conducted in line with the Group's policies, processes and relevant legislation. It does this through discussions with senior managers, receiving reports and conducting visits to Ultra's businesses. The Committee undertakes a formal review of business activities. During these reviews, the independent members provide advice and guidance on the appropriateness of target markets and customers and on potential teaming partners. The Committee also considers the reports that come through the EthicsPoint hotline.</p> <p>Internal Audit</p> <p>The internal audit function, which is independent of the businesses and reports directly to the Audit Committee, provides assurance to the Board of the effectiveness of the Group's internal control environment. The programme of work undertaken by the internal audit function is approved in advance by the Audit Committee. All significant business units are audited by the internal audit function at least once every 2 years, while other businesses are audited on a 3 year cycle. In addition, all newly acquired free-standing businesses are audited within a year of their acquisition date. The internal audit function presents its findings to the Audit Committee twice annually. Progress reports on follow-up remedial actions are reported regularly to the Audit Committee. The internal audit function confirms whether appropriate action has been taken to address the risks when it next visits the business concerned.</p> <p>[4] Terms of Reference of the Audit Committee (Document) Accessed 04/06/2019 https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf [p.1] 2. Purpose of the Committee</p> <p>The purpose of the Committee is to oversee the Company's and its subsidiaries (the "Group's") internal financial controls and risk management systems; to recommend the half and full year financial results to the Board; and to monitor the integrity of all formal reports and announcements relating to the Company's financial performance. In</p>

addition, the Committee shall: appoint the internal auditors, oversee the appointment of the external auditors and maintain an appropriate relationship with the internal and external auditors of the Group. The Committee shall report the findings and recommendations of the internal and external auditors to the Board.

[p.4] 10.4 Compliance, Whistleblowing and Fraud
The Committee shall annually:

10.4.1 review the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action is taken (including commissioning additional resource to investigate any instances of fraud if necessary);

10.4.2 review the Company's procedures for detecting fraud; and

10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

[3] Anti-Corruption and Bribery Policy (Document)

Accessed 04/06/2019

<https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf>

[p. 6] WHO IS RESPONSIBLE FOR THE POLICY?

1. 14.1 The board of directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it.

2. 14.2 The Group Company Secretary has primary and day-to-day responsibility for implementing this policy and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

15. Monitoring and Review

15.1 The Group Company Secretary will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

[...]

15.3 Workers are invited to comment on this policy and suggest ways in which it might be improved. Comments, suggestions and queries should be address to the Group Company Secretary.

[5] Annual Report and Accounts 2018 (Document)

Accessed 04/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 24] Independent Ethics Overview Committee: The Ethics Overview Committee was formed to provide independent advice and scrutiny of Ultra's business activity, giving assurance that the Group's current and planned undertakings are conducted in a manner consistent with the legislative environment and are transparent. The Committee comprises four permanent members, three of whom, including the Chair, are independent. To maintain the highest degree of impartiality, the independent members of the Committee are self-electing with the appointment of the Chair exclusively within the remit of the independent members. The Committee meets regularly and provides assurance that Ultra's business is being conducted in line with the Group's policies, processes and any relevant legislation. This is ascertained through discussions with senior managers, receiving reports and visiting Ultra's businesses. During these reviews, the Committee undertakes a formal review of business activities and the independent members provide advice and guidance on the appropriateness of target markets and customers and on potential teaming partners. The Committee also considers the reports that come through EthicsPoint.

[p. 41] The Ethics Overview Committee provides independent advice and scrutiny of Ultra's business activity. It provides assurance to the Board that the Group's undertakings are transparent and conducted ethically within the legislative environment.

[p. 48] Ethics Overview Committee Ultra is committed to ethical business conduct. In this regard, the Group has the benefit of an independent Ethics Overview Committee. Ultra's Policy Statement on Ethics and Business Conduct is available from the Corporate Responsibility section of the Group's website www.ultra-electronics.com. The Ethics Overview Committee, through its independently appointed members, underpins this policy, by checking and testing it in support of the Board. It does this through discussions with senior managers, receipt of reports, visits to Company sites, engagement with employees and managers at those sites and, where appropriate, requests to senior managers for various documents that assist the members in fulfilling this role.

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.59] Ethics Oversight Committee

To assist the Board and the Executive Team in fulfilling their duties in respect of ethical matters, the Company has an Ethics Oversight Committee. This is an advisory committee, currently comprising two independent consultants, Tim Cross (Chair) and David Shattock, who are highly experienced in ethics and culture. Neither of the independent consultants have any other connection with the Company or individual Directors. A search is under way for a further independent member to join the Committee.

Our Ethics Oversight Committee members individually visit Ultra's sites globally and talk to our people at their place of work on a rolling cycle. Employees from different levels and functions of the business are invited to meet the Committee members, independent of their managers, to ascertain the cultural ways of working in the workplace including, but not limited to, how our Code of Conduct is adhered to, how our values are lived and embedded throughout the group and how our whistleblowing and anti-bribery and corruption policies are complied with. The Committee meets at least twice a year with the Chief Executive, Company Secretary and the Chief HR Officer to review the objective feedback and insight gained from site visits. The Committee then reports back to the Executive Team and the Board regarding the culture and ethics within the Group as a whole on a periodic basis where honest feedback is reported and discussed. The Committee has an important role within our corporate culture framework to listen to the employee voice (see workforce engagement on page 32 for further information).

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
2
Comments
<p>Based on publicly available information, there is evidence that a designated senior executive, the Group Company Secretary and General Counsel, has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. It is clear that this person has a direct reporting line to the Ethics Overview Committee and the board, both of which provide oversight of the anti-bribery and corruption programme. There is evidence of reporting and feedback activities between this person and the board as part of the company's reporting structure.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 6] WHO IS RESPONSIBLE FOR THE POLICY? 1. 14.1 The board of directors has overall responsibility for ensuring this policy complies with our legal and ethical obligations, and that all those under our control comply with it. 2. 14.2 The Group Company Secretary has primary and day-to-day responsibility for implementing this policy and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.</p> <p>[...]</p> <p>15.1 The Group Company Secretary will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 45] Board of Directors and Company Secretary Louise Ruppel General Counsel and Company Secretary</p> <p>[p.48] The Executive Team comprises: Chief Executive Officer; Group Finance Director; Corporate Marketing Director; EVP Commercial and Corporate Affairs; General Counsel and Company Secretary; Chief HR Officer; and Divisional Managing Directors/Presidents.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 4] Ethics Overview Committee</p> <p>The Ethics Overview Committee was formed in 2008 with the remit to provide independent advice and scrutiny of Ultra's business activity, providing assurance that the Group's current and planned undertakings are conducted in a manner consistent with the legislative environment and are transparent. The Committee comprises six permanent members, three of whom, including the Chairman, are independent.</p> <p>[...]</p>

The Committee members from Ultra are:

- Simon Pryce, Chief Executive Officer;
- Anant Prakash, Group Company Secretary & General Counsel; and
- Mike Baptist, Managing Director of the Communication and Securities Division.

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.33] Our Board of Directors oversees our efforts to * prevent bribery. They are supported by our Group Company Secretary, who has primary and day-to-day responsibility for implementing the policy and for monitoring its use and effectiveness.

2. Internal Controls

Question
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has an annual process for enterprise risk assessment, which appears to include assessments of bribery and corruption risks. The board exercises oversight of the company's risk assessment procedures.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence that the results of risk assessments are used to update the company's anti-bribery and corruption programme and develop tailored mitigation plans.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] At Ultra, risk is identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level) as part of the annual strategic planning process. Annually, businesses identify risks to the successful delivery of their strategic plan and these are assessed at the divisional level. Risks which are corporate in nature or which span Ultra businesses, are elevated to the Executive Team for management. Resulting strategic risks are assessed and reviewed by the Board.</p> <p>Risks are reviewed regularly to ensure that they are relevant and appropriate mitigations are in place. Review of business activity and the management of resultant risk are also an integral part of Ultra's processes. Risks are considered and managed as business decisions are made.</p> <p>[...]</p> <p>Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.40] Managing risk and uncertainty Managing risk is what Ultra management does. The identification and management of risk is a core element of the policies and processes used by Ultra's businesses in evaluating the business environment, the opportunities they assess, and in the delivery of their performance against objectives. Future emphasis is on the positive impact of embedding risk management into our key processes, which will be increasingly important as Ultra continues with its transformation plans.</p> <p>Risk management and internal control The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management, governance and internal controls. The Board reviews risk as part of its strategy review process and, during the year, conducted a robust assessment of the Company's principal and emerging risks. An annual specific review of key risks and the risk management framework are reviewed as part of the reporting process. Day-to-day ownership of risk sits with business management under the monthly scrutiny of the Executive Team to whom the Board have delegated principal responsibility for risk oversight.</p>

Risk management framework

The risk management framework governs the approach Ultra takes to managing risk effectively. The framework facilitates the proactive review and management of existing and emerging risks through the identification, measurement, control and reporting of risk that can undermine the business model, future performance, solvency or liquidity of the Group and identifies:

- +the causes and triggers of a risk and the way in which it could impact objectives
- +the analysis of risk in terms of likelihood and consequences before and after the impact of specific controls
- +risk ownership by the individual best positioned to control/mitigate that risk
- +articulation of the specific controls and warning indicators in relation to a risk
- +allocation identification of planned mitigating actions including of resources for the management of principal and emerging risks
- +a process for review of the risk environment and reporting of key changes and emergent risk embedded in the performance reporting process

[p.45] Governance, Compliance & Internal Controls

In common with other businesses in our sector, the Group operates in a highly regulated environment across multiple jurisdictions and is subject to a range of regulatory, governance and compliance requirements. Retrospective compliance changes (for example, tax) or a failure in the framework of internal controls could result in penalties, liabilities or reputational damage.

2018 risk comparator Governance and Internal Controls; Legislation/Regulation

Potential impact

Key impacts from specific relevant controls/ events, all of which carry the potential for reputational damage are as follows:

- +Financial rules and standards compliance: failure to comply in key areas such as revenue recognition could result in adjustments that undermine results and credibility
- +Tax compliance: retrospective regulatory changes such as those relating to EU state aid (currently under legal challenge) could lead to significant unforeseen liabilities
- +Trade compliance: failure to comply with export controls or defence specific requirements such as US ITAR controls could result in regulatory action and penalties
- +Anti-bribery and corruption (ABC): failure to comply with multiple jurisdiction rules in relation to public sector contracts directly or through intermediaries could result in regulatory action and penalties
- +Fraud risk resulting from internal control failure

Mitigation commentary/examples

[p.72] Internal controls

The Group's internal controls framework includes appropriate financial, operational and compliance controls, and risk management processes, which together ensure the appropriate oversight of financial reporting processes, including the preparation of consolidated Group accounts.

The control environment within Ultra comprises the following:

[p.73] +The Group Operating Manual – setting out Group policies and overarching processes

- +Monthly financial control checklists
- +Six-monthly control review meetings
- +Risk registers at Business Unit, Division and Group level
- +Staff training
- +Internal Audit (provided by PwC)
- +EthicsPoint for external support of whistleblowing reporting
- +Divisional review of monthly Business Unit performance
- +Divisional level performance reviews
- +Executive Team oversight and challenge
- +Group Board and Committee oversight and challenge +Other regulatory assurance activities

[5] Annual Report and Accounts 2018 (Document)

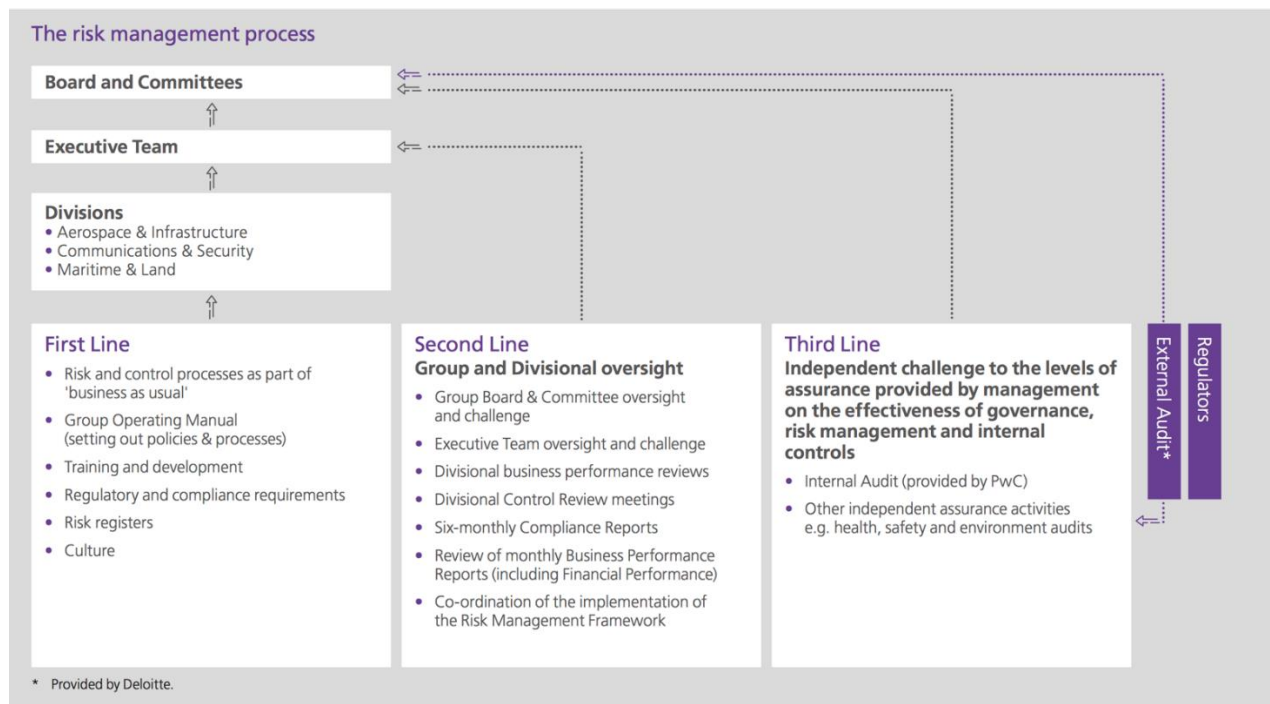
Accessed 04/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 34] Risk management and control

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management, governance and internal controls. The Board reviews risk as part of its annual strategy review process and risk management is a regular feature on Board meeting agendas. This provides the Board with an appreciation of the key risks within the business and oversight of how they are being managed. The responsibility for risk oversight is principally delegated to the Audit Committee with the ongoing review and challenge of risk management information provided by the Executive Team.

[...]



[p. 38]

RISK 6

GOVERNANCE AND INTERNAL CONTROLS

Maintaining corporate governance standards as well as an effective risk management and internal control system is critical to supporting the delivery of the Group's strategy.

TREND: SLIGHT INCREASE

 **Pgs 47–53** Governance and Accountability

A new Chief Executive Officer joined the Company in June 2018 and as a result, the roles of Chief Executive Officer and Chair of the Board were separated again bringing Ultra back into line with the expectations of the Code. As further described on page 52, the Board undertook a Governance workshop during the year with actions being identified to make improvements to processes. The Board determined that there had been a slight increase in this risk, however, this is expected to reduce as we continue to review and refresh our governance processes and policies following the corporate governance workshop and implement changes necessary as a result of new Corporate Governance Code and statutory reporting requirements during 2019.

[p. 39]

POTENTIAL IMPACT OF FAILURE

MITIGATIONS (EXAMPLES)

- Significant financial loss (e.g. fraud, theft, material errors)
- Loss of reputation and investor confidence
- Loss of business opportunity with removal of government approval to work on classified programmes

- The Group Operating Manual and Risk Management Framework provides clear instructions on the Group's internal governance and controls
- The businesses provide year-end disclosures on the effectiveness of their accounting and internal control systems

- Internal Audit conducts an audit of the Group's internal control system

The terms of reference for the Board and committees are reviewed and updated annually.

[p. 53] Accountability

Risk management and internal control

The Board is responsible for the Group's risk management framework and internal control systems and for

reviewing their effectiveness. The Group has internal control systems across finance, operations, human resources and compliance and key controls have been identified. The Board, via the Audit Committee, monitors the internal control systems on an ongoing basis. The risk framework and internal control systems play a key role in the management of risks that may impact the fulfillment of the Board's objectives. They are designed to identify and manage, rather than eliminate, the risk of Ultra failing to achieve its business objectives and can only provide reasonable, not absolute, assurance against material misstatement of losses. In addition, the Company is in the process of recruiting a permanent Chief Risk Officer to bolster the monitoring and reporting of risk to the Board.

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
2
Comments
<p>There is publicly available evidence that the company's anti-bribery and corruption programme is subject to regular review to determine whether the programme is effective in combatting bribery and corruption. There is evidence indicating that the mandate of the company's internal audit function includes reviewing the company's anti-bribery and corruption controls. The company states that the internal audit function reviews all business units on a two or three-year cycle. It reports directly to the Audit Committee, which also conducts an annual review of the company's anti-bribery and corruption systems.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 6] 15.1 The Group Company Secretary will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective in countering bribery and corruption.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 04/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 1] Monitoring and Support The operation of the Ethics Code is monitored by the Ultra Group Board of Directors twice annually via a compliance report which is submitted by each Division. Businesses are responsible for conducting periodic reviews to ensure that high standards of ethical behaviour are maintained across all parts of the Group. Businesses are responsible for ensuring that appropriate support arrangements are in place including, but not limited to, advice and training.</p> <p>[p. 4] Board monitoring</p> <p>Biannually, the Board reviews the businesses' compliance with Ultra's Compliance Policies.</p> <p>[...]</p> <p>Internal Audit</p> <p>The internal audit function, which is independent of the businesses and reports directly to the Audit Committee, provides assurance to the Board of the effectiveness of the Group's internal control environment. The programme of work undertaken by the internal audit function is approved in advance by the Audit Committee. All significant business units are audited by the internal audit function at least once every 2 years, while other businesses are audited on a 3 year cycle. In addition, all newly acquired free-standing businesses are audited within a year of their acquisition date. The internal audit function presents its findings to the Audit Committee twice annually. Progress reports on follow-up remedial actions are reported regularly to the Audit Committee. The internal audit function confirms whether appropriate action has been taken to address the risks when it next visits the business concerned.</p> <p>[4] Terms of Reference of the Audit Committee (Document) Accessed 04/06/2019 https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf [p. 1] 2. Purpose of the Committee The purpose of the Committee is to oversee the Company's and its subsidiaries (the "Group's") internal financial controls and risk management systems; to recommend the half and full year financial results to the Board; and to monitor the integrity of all formal reports and announcements relating to the Company's financial performance. In addition, the Committee shall: appoint the internal auditors, oversee the appointment of the external auditors and</p>

maintain an appropriate relationship with the internal and external auditors of the Group. The Committee shall report the findings and recommendations of the internal and external auditors to the Board.

[p. 4] 10.4 Compliance, Whistleblowing and Fraud

The Committee shall annually:

[...]

10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.72] Internal controls

The Group's internal controls framework includes appropriate financial, operational and compliance controls, and risk management processes, which together ensure the appropriate oversight of financial reporting processes, including the preparation of consolidated Group accounts.

The control environment within Ultra comprises the following:

[p.73]

- +The Group Operating Manual – setting out Group policies and overarching processes
- +Monthly financial control checklists
- +Six-monthly control review meetings
- +Risk registers at Business Unit, Division and Group level
- +Staff training
- +Internal Audit (provided by PwC)
- +EthicsPoint for external support of whistleblowing reporting
- +Divisional review of monthly Business Unit performance
- +Divisional level performance reviews
- +Executive Team oversight and challenge
- +Group Board and Committee oversight and challenge
- +Other regulatory assurance activities

Question
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company publicly commits to investigating incidents and there is a specific procedure in place to deal with whistleblowing cases. There is evidence that the company takes steps to ensure the independence of its investigations, by requiring that responsibility for handling whistleblower reports be held by an independent director. The company states that all reports received through its whistleblowing channel will be reviewed and receive a response.</p> <p>In addition, there is evidence that the company provides whistleblowers with updates on the outcomes of investigations and that information on each investigation is documented. There is evidence that the company's Audit Committee receives reports on non-compliance with its anti-bribery and corruption programme on an annual basis.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 4] Any non-compliances are investigated by the Company Secretary & General Counsel</p> <p>[...]</p> <p>Ethics Overview Committee</p> <p>[...]</p> <p>The Committee meets quarterly. It provides assurance that Ultra's business is being conducted in line with the Group's policies, processes and relevant legislation. It does this through discussions with senior managers, receiving reports and conducting visits to Ultra's businesses. The Committee undertakes a formal review of business activities. During these reviews, the independent members provide advice and guidance on the appropriateness of target markets and customers and on potential teaming partners. The Committee also considers the reports that come through the EthicsPoint hotline.</p> <p>[p. 7] Employees are encouraged to report any instances of non-compliance with Ultra's Compliance Policies through their Line Manager. However, Ultra recognises that employees may not always feel able to do so. Ultra has, since 2010, operated an anonymous and confidential phone and internet based reporting system called the Ultra Electronics Employee Helpline, which is independently managed by a company called EthicsPoint. The system is designed to enhance communication and enable Ultra to promote safety, security and ethical behaviour. All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's senior, independent Non-Executive Director (other than US security-related issues which are routed through the outside directors of the Special Security Arrangement Board or Proxy Board).</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 41] The Ethics Overview Committee provides independent advice and scrutiny of Ultra's business activity. It provides assurance to the Board that the Group's undertakings are transparent and conducted ethically within the legislative environment</p> <ul style="list-style-type: none"> -Employees have access to a Group- wide confidential hotline to report anonymously any concerns they may have about possible improprieties and other compliance issues -The Board receives regular updates and presentations on the Company's legal and regulatory requirements <p>[p. 61] Whistleblowing</p>

An independently hosted Employee Hotline (EthicsPoint) is used to provide a process for reporting ethical concerns. Such concerns can be led anonymously. Employees are informed of this process through posters (which are translated into local languages) and through the Group intranet. Employee concerns are forwarded to the Senior Independent Director or, in the case of issues covered by US security legislation, to the Chair of the Security Committee of either Ultra's Special Security Agreement Company or Ultra's Proxy Board Company, as appropriate. During 2018, two reports were led via this system (one for an HR matter and one an unsolicited invitation to a conference). Each of these reports were reviewed as received, responses were provided promptly via the system, and the matters were subsequently closed.

[3] Anti-Corruption and Bribery Policy (Document)

Accessed 05/06/2019

<https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf>

[p. 4] 8. Your Responsibilities

[...]

8.3 You must notify your manager as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. If you feel unable to tell your line manager about this you should use the Ultra Electronics Employee Hotline. For example, if a client or potential client offers you something to gain a business advantage for us, or indicates to you that a gift or payments is require to secure their business. Further "red flags" that may indicate bribery or corruption are set out in the Schedule.

[p. 5] 10. How to Raise a Concern

You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with your line manager or through the Ultra Electronics Employee Hotline.

11. What to do if you are a Victim of Bribery or Corruption

It is important that you tell your Managing Director or President of the Ultra Electronics Employee Hotline as soon as possible if you are offered a bribe by a third party, are asked to make one, suspect that this may happen in the future, or believe that you are a victim of another form of unlawful activity.

[4] Terms of Reference of the Audit Committee (Document)

Accessed 04/06/2019

<https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf>

[p.4] 10.4 Compliance, Whistleblowing and Fraud

The Committee shall annually:

10.4.1 review the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action is taken (including commissioning additional resource to investigate any instances of fraud if necessary);

10.4.2 review the Company's procedures for detecting fraud; and

10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

[12] EthicsPoint (Webpage)

Accessed 03/03/2020

<https://secure.ethicspoint.com/domain/media/en/gui/25388/index.html>

Ultra Electronics and EthicsPoint

Ultra Electronics has arranged for EthicsPoint to provide an independent, anonymous and confidential Helpline through which you can report anything that you believe to be a violation of the Code. You may make a report on this site or contact EthicsPoint by dialling, free of charge, the number for your country (these are found under the appropriate section of this site). If you make a report on the Helpline you can trust that Ultra Electronics will investigate, and, whenever a violation of the Code is found, take corrective action and inform you of the result. All enquiries will be handled promptly and discreetly. You have the right to remain anonymous and confidentiality will be maintained insofar as is possible.

[...]

After you complete your report you will be assigned a unique code called a "report key." Write down your report key and password and keep them in a safe place. After 5-6 business days, use your report key and password to check your report for feedback or questions.

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.73] Whistleblowing

An externally hosted service, EthicsPoint, is used to provide an independent, anonymous and confidential helpline and online portal that employees can use to report any concerns they may have within the business where matters have not been resolved through the normal channels of reporting matters to their managers or local HR partners. Any report received is security cleared by our Ultra Electronics Defence Inc. ("UEDI") Security Officer to comply with our obligations with our Special Security Arrangement and Proxy companies. Providing a report does not contain classified information it is forwarded to our Senior Independent Director to make arrangements with the appropriate people to investigate the matter accordingly. The Ethics Oversight Committee (see page 59 for further details) also receive any reports made via EthicsPoint that are security cleared to assist with their review of ethics and culture throughout the Group. If a report contains classified information it is investigated within the UEDI framework. The Board also receives any reports made via Ethicspoint, and receive updates on any follow-up actions.

Employees are informed of EthicsPoint through posters (which are translated into local languages) and through the Group intranet. To ensure employees are fully aware, and reminded, of the EthicsPoint service, a re-launch of the whistleblowing platform is scheduled to take place in Q2 2020.

The Audit Committee, and the Board as a whole, is satisfied that the whistleblowing policy is appropriate and that the procedure to report concerns is practical and that the arrangements for dealing with any reports received are appropriate for our organisation.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company assures itself of the quality of its internal investigations. The company states that its investigations procedure is subject to review on an annual basis.</p> <p>However, the company receives a score of '1' because there is no evidence that the staff conducting investigations are properly trained or qualified. In addition, there is no publicly available evidence that the company has a process in place to handle complaints about the investigation process.</p>
Evidence
<p>[4] Terms of Reference of the Audit Committee (Document) Accessed 04/06/2019 https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf [p.4] 10.4 Compliance, Whistleblowing and Fraud</p> <p>The Committee shall annually:</p> <p>10.4.1 review the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action is taken (including commissioning additional resource to investigate any instances of fraud if necessary);</p> <p>10.4.2 review the Company's procedures for detecting fraud; and</p> <p>10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.</p>

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
1
Comments
Based on publicly available information, there is evidence that the company reports breaches of its compliance programme to its Audit Committee, a designated board committee. However, there is no evidence that an appropriate senior individual is responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if necessary.
Evidence
<p>[4] Terms of Reference of the Audit Committee (Document) Accessed 04/06/2019 https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf [p.4] 10.4 Compliance, Whistleblowing and Fraud</p> <p>The Committee shall annually: 10.4.1 review the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action is taken (including commissioning additional resource to investigate any instances of fraud if necessary); 10.4.2 review the Company's procedures for detecting fraud; and 10.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 4] Ethics Overview Committee</p> <p>[...]</p> <p>The Committee meets quarterly.</p> <p>[...] The Committee also considers the reports that come through the EthicsPoint hotline.</p> <p>[p. 7] All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's senior, independent Non-Executive Director (other than US security-related issues which are routed through the outside directors of the Special Security Arrangement Board or Proxy Board).</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 41] The Ethics Overview Committee provides independent advice and scrutiny of Ultra's business activity. It provides assurance to the Board that the Group's undertakings are transparent and conducted ethically within the legislative environment -Employees have access to a Group- wide confidential hotline to report anonymously any concerns they may have about possible improprieties and other compliance issues -The Board receives regular updates and presentations on the Company's legal and regulatory requirements</p> <p>[p. 61] Whistleblowing</p> <p>[...] Employee concerns are forwarded to the Senior Independent Director or, in the case of issues covered by US security legislation, to the Chair of the Security Committee of either Ultra's Special Security Agreement Company or Ultra's Proxy Board Company, as appropriate.</p>
Question

2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
1
Comments

There is evidence that the company publishes some high-level results about the reports received through its whistleblowing system in the past 12 months.

However, based on publicly available information, it is not clear whether this includes investigations involving company employees at all levels. In addition, there is no evidence that the company publishes information about reports received through non-whistleblowing channels and any related investigations or disciplinary actions.

Evidence
[5] Annual Report and Accounts 2018 (Document)

Accessed 05/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 61] Whistleblowing

An independently hosted Employee Hotline (EthicsPoint) is used to provide a process for reporting ethical concerns.

[...]

During 2018, two reports were led via this system (one for an HR matter and one an unsolicited invitation to a conference). Each of these reports were reviewed as received, responses were provided promptly via the system, and the matters were subsequently closed.

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company provides a training module that outlines the basic principles of the anti-bribery and corruption policy, including the whistleblowing options available to employees. The company states that all employees are required to complete anti-bribery training on an annual basis. In its 2019 Annual Report, the company indicates that 95% of its employees have completed the training, indicating that training is systematically provided to all employees, in all divisions and in all countries/regions of operation.</p>
Evidence
<p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf <p>[p.33] In October 2019, we launched updated Group-wide anti-corruption and bribery training. We provide several challenging scenarios to help our people know what to do if they were to come across issues such as bribery, fraud and conflict of interest. We strive to create an environment in which our people feel included and confident to 'speak up' and so provide a number of routes for them to seek help or raise concerns. To date, this training been completed by over 95% of our organisation. New employees are required to complete the training as part of their induction process.</p> <p>[2] Code of Ethics and Business Conduct (Webpage) Accessed 05/06/2019 https://www.ultra-electronics.com/about-us/corporate-responsibility/ethical-business-conduct In particular, Managing Directors and Presidents must ensure that: -through appropriate communication and/or training programs, employees are aware of and understand the Code.</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf <p>[p. 5] 1. TRAINING AND COMMUNICATION 1.1 Training on this policy forms part of the induction process for all new workers. All existing workers for whom this is relevant will receive regular, appropriate training on how to implement and adhere to this policy.</p> <p>[p. 6] 14.2 The Group Company Secretary has primary and day-to-day responsibility for implementing this policy and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf <p>[p. 24] Providing guidance and training to employees The Group continues to promote and strengthen its policies, processes and training to ensure employees have the clear guidance they need in identifying and managing ethical matters. Ultra uses EthicsPoint in all of its businesses. EthicsPoint is a Group-wide independent, confidential web- and telephone-based hotline, which enables all employees to report concerns anonymously about possible improprieties and other compliance issues. All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's Senior Independent Non-Executive Director (with the exception of US security- related issues which are routed to the Chair of the Security Committee of either Ultra's Special Security Agreement company or Ultra's Proxy Board company, as appropriate). No retaliatory action is taken</p> </p> </p></p>

against employees for making reports in good faith through EthicsPoint. Any employee found to be in breach of the Policy statement on Ethics and Business Conduct is subject to appropriate disciplinary action.

[p. 40] The Company continues to take compliance very seriously and the Board and Executive Team strive to reinforce an ethical culture. For example, all employees are required to undertake anti-bribery training on an annual basis and updated agents' policies are now in place.

[p. 41] Regular compliance training is undertaken as part of Ultra's commitment to an ethical culture and individual businesses provide compliance statements as part of monthly business performance reporting.

[p. 61] Whistleblowing

An independently hosted Employee Hotline (EthicsPoint) is used to provide a process for reporting ethical concerns. Such concerns can be led anonymously. Employees are informed of this process through posters (which are translated into local languages) and through the Group intranet.

[...] Anti-bribery

Ultra has anti-bribery policies and procedures in place, which it continues to review on a regular basis, and update as required. All Directors and employees are required to sign Ultra's code of conduct on anti-bribery and commit to act in accordance with it. All new-starters at Ultra are also required to undertake anti-bribery training, and then subsequently on a regular basis. Additional anti-bribery training is given as appropriate; it is intended that focused anti-bribery training will be delivered across the Ultra Group during the year ahead. The Group intranet contains a statement regarding compliance with Ultra's anti-bribery policies.

[6] Ultra's Policy Statement on Ethics and Business Conduct (Document)

Accessed 05/06/2019

https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf

[p. 1] Through appropriate communication and/or training programmes, employees are aware of and understand the Ethics Code. Businesses are responsible for ensuring that appropriate support arrangements are in place including, but not limited to, advice and training.

[p. 3] Ultra adopts a rigorous integration process for newly acquired businesses which includes training on Ultra's policies.

[p. 6] All employees and Directors are required to complete Ultra's on-line anti-bribery training within one week of joining Ultra. Businesses confirm compliance with this requirement through the monthly Business Performance Reports. Any non-compliance with this requirement is investigated by the Company Secretary & General Counsel. Additional bespoke anti-bribery training is provided for those in higher risk roles, for example those who carry out overseas business. Ultra adopts a zero tolerance approach to bribery and corruption. Training on Ultra's Compliance Policies is conducted periodically throughout the year by the Company Secretary & General Counsel. Commercial Managers within the businesses also conduct bespoke training on Ultra's Compliance Policies within their respective business.

[12] EthicsPoint (Webpage)

Accessed 03/03/2020

<https://secure.ethicspoint.com/domain/media/en/gui/25388/index.html>

Your responsibilities as an Ultra Electronics employee

Each Ultra Electronics business has a written and maintained Code of Ethics and Business Conduct ("Code") which is effectively implemented and compliance is enforced.

As an employee, you are provided with clear guidelines on matters of everyday business conduct in order to operate within the Code. Through appropriate communication and/or training programmes you are made aware of and should understand the Code. You are provided with continuing advice and guidance on relevant policies and procedures. You are responsible for taking appropriate actions to comply with the Code within your business.

Question
3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees: a) Employees in high risk positions, b) Middle management, c) Board members.
Score
1
Comments
<p>Based on publicly available information, there is evidence that employees in certain positions receive tailored anti-bribery and corruption training based on their roles or exposure to corruption risk. The company mentions that it provides dedicated training for employees in high-risk positions.</p> <p>However, the company receives a score of '1' because there is no publicly available evidence that it provides tailored training for middle management and board members. The company also does not specify whether employees in high risk positions must refresh their training on at least an annual basis.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 6] All employees and Directors are required to complete Ultra's on-line anti-bribery training within one week of joining Ultra.</p> <p>[...] Additional bespoke anti-bribery training is provided for those in higher risk roles, for example those who carry out overseas business. Ultra adopts a zero tolerance approach to bribery and corruption. Training on Ultra's Compliance Policies is conducted periodically throughout the year by the Company Secretary & General Counsel. Commercial Managers within the businesses also conduct bespoke training on Ultra's Compliance Policies within their respective business.</p> <p>"Additional bespoke anti-bribery training is provided for those in higher risk roles."</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 6] 14.2 The Group Company Secretary has primary and day-to-day responsibility for implementing this policy and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 24] Providing guidance and training to employees The Group continues to promote and strengthen its policies, processes and training to ensure employees have the clear guidance they need in identifying and managing ethical matters.</p> <p>[p. 40] The Company continues to take compliance very seriously and the Board and Executive Team strive to reinforce an ethical culture. For example, all employees are required to undertake anti-bribery training on an annual basis and updated agents' policies are now in place.</p> <p>[p. 61] All new-starters at Ultra are also required to undertake anti-bribery training, and then subsequently on a regular basis. Additional anti-bribery training is given as appropriate; it is intended that focused anti-bribery training will be delivered across the Ultra Group during the year ahead.</p>

Question

3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
1
Comments

Based on publicly available information, there is some evidence that the company reviews its communications and personnel training programme. However, the company receives a score of '1' because the measures appear to be limited to tracking training completion rates. There is no clear evidence that the results are used to update specific parts of the company's anti-bribery and corruption communications and training programme.

Evidence
[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.33] In October 2019, we launched updated Group-wide anti-corruption and bribery training. We provide several challenging scenarios to help our people know what to do if they were to come across issues such as bribery, fraud and conflict of interest. We strive to create an environment in which our people feel included and confident to 'speak up' and so provide a number of routes for them to seek help or raise concerns. To date, this training been completed by over 95% of our organisation. New employees are required to complete the training as part of their induction process.







[5] Annual Report and Accounts 2018 (Document)

Accessed 05/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 24] Providing guidance and training to employees


The Group continues to promote and strengthen its policies, processes and training to ensure employees have the clear guidance they need in identifying and managing ethical matters.

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
Based on publicly available evidence, there is no clear evidence that the company's approach to employee incentive schemes is designed to incorporate ethical behaviour and discourage corrupt practices.
Evidence
<p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 11] During 2019 we plan to upgrade our performance management system, rewards system and internal communication to improve employee engagement and success.</p> <p>[p. 18] Underpinning the success of our employees, and therefore our business, is creating and maintaining the right culture and work environment where employees feel valued, know what is expected of them and feel included and engaged so that they bring their best contributions to work. The Group's values and behaviours are an essential cornerstone to this and are focused around four key areas: Leadership, Entrepreneurship, Audacity and Paranoia. Together, they are known within the Group as LEAP.</p> <p>[p. 64] 2. Director's Remuneration policy Policy overview The Group's Remuneration Policy is to reward senior management competitively, enabling Ultra to recruit, motivate and retain executives of a high calibre, whilst avoiding making excessive remuneration payments. The remuneration of Executive Directors and senior managers is aligned with the Group's objectives and the interests of shareholders.</p> <p>How the remuneration element supports our strategy Reflects the value of the individual and their role and responsibilities Reflects underlying performance of the individual Provides an appropriate level of basic fixed income avoiding excessive risk arising from over- reliance on variable income</p> <p>[7] Corporate Governance (Webpage) Accessed 05/06/2019 https://www.ultra-electronics.com/about-us/corporate-governance Remuneration Executive Directors' remuneration is designed to promote the long-term success of the Company. The Board ensures performance related elements are transparent, stretching and rigorously applied.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.35] Our reward philosophy</p> <div> <div>  <p>Performance and values orientated Drives high-performance behaviours and reinforces our company values</p> </div> <div>  <p>Career-orientated Supporting breadth and depth of experiences</p> </div> <div>  <p>Consistent and fair Delivers consistent and fair reward, supported by robust policies and practices</p> </div> <div>  <p>Transparent Simple to understand and in compliance with all applicable laws and regulations</p> </div> <div>  <p>Competitive Competitive to attract, retain and recognise the talent we need to drive business performance</p> </div> <div>  <p>Short and long-term performance Incentivises and rewards short and long-term performance that generates value for our stakeholders</p> </div> </div>

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
0
Comments
Based on publicly available information, there is some evidence that the company will support employees who refuse to act unethically. However, the company does not specify that it will do so even where such actions result in a loss of business to the company and there is no evidence that the company assures itself of its employees' confidence in this statement through clearly stated means, such as surveys.
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 5] 12. Protection</p> <p>12.1 Workers who refuse to accept or offer a bribe, or those who raise concerns or report another's wrongdoing, are sometimes worried about possible repercussions. We aim to encourage openness and will support anyone who raises genuine concerns in good faith under this policy, even if they turn out to be mistaken.</p> <p>12.2 We are committed to ensuring no-one suffers any detrimental treatment as a result of refusing to take part in bribery or corruption, or because of reporting in good faith their suspicion that an actual or potential bribery or other corruption offence has taken place, or may take place in the future. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If you believe that you have suffered any such treatment, you should inform the Group Company Secretary or the Ultra Electronics Employee Hotline immediately. If the matter is not remedied, and you are an employee, you should raise it formally using your local business' Grievance Procedure.</p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. There is some evidence indicating that this policy applies to all employees across the organisation, including those employed by the group as third parties.</p> <p>However, there is no evidence that the company assures itself of its employees' confidence in this commitment through surveys, usage data, or other clearly stated means.</p>
Evidence
<p>[2] Code of Ethics and Business Conduct (Webpage) Accessed 05/06/2019 https://www.ultra-electronics.com/about-us/corporate-responsibility/ethical-business-conduct In particular, Managing Directors and Presidents must ensure that: - there is no retribution for reporting an alleged violation of the Code or other related company policies or procedures.</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 1] 2. Who is covered by the Policy? This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).</p> <p>[p. 3] 5. What is not acceptable? It is not acceptable for you (or someone on your behalf) to:</p> <p>[...]</p> <p>(e) Threaten or retaliate against another worker who has refused to commit a bribery offence or who has raised concerns under this policy</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 24] No retaliatory action is taken against employees for making reports in good faith through EthicsPoint.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 1] There is no retribution for reporting an alleged violation of the Ethics Code or other related company policies or procedures.</p> <p>[12] EthicsPoint (Webpage) Accessed 03/03/2020 https://secure.ethicspoint.com/domain/media/en/gui/25388/index.html Ultra Electronics and EthicsPoint</p> <p>[...]</p>

As an Ultra Electronics employee you will not be penalised, dismissed, demoted or suspended and no retaliatory action will be taken against you for reporting or enquiring in good faith about potential breaches of the Code, or for seeking guidance on how to handle suspected breaches. Business Managing Directors and Presidents must ensure that there is no retribution against you if you report an alleged violation of the Code or other related company policies or procedures.

Question
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to external parties through an independently-operated hotline. These channels allow for confidential and, wherever possible, anonymous reporting. There is some evidence indicating that the whistleblowing channels are available to all employees, including those employed by the group as third parties, and in all relevant languages.</p>
Evidence
<p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 24] Providing guidance and training to employees The Group continues to promote and strengthen its policies, processes and training to ensure employees have the clear guidance they need in identifying and managing ethical matters.</p> <p>Ultra uses EthicsPoint in all of its businesses. EthicsPoint is a Group-wide independent, confidential web- and telephone-based hotline, which enables all employees to report concerns anonymously about possible improprieties and other compliance issues. All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's Senior Independent Non-Executive Director (with the exception of US security- related issues which are routed to the Chair of the Security Committee of either Ultra's Special Security Agreement company or Ultra's Proxy Board company, as appropriate). No retaliatory action is taken against employees for making reports in good faith through EthicsPoint. Any employee found to be in breach of the Policy statement on Ethics and Business Conduct is subject to appropriate disciplinary action.</p> <p>[p. 61] Whistleblowing An independently hosted Employee Hotline (EthicsPoint) is used to provide a process for reporting ethical concerns. Such concerns can be led anonymously. Employees are informed of this process through posters (which are translated into local languages) and through the Group intranet. Employee concerns are forwarded to the Senior Independent Director or, in the case of issues covered by US security legislation, to the Chair of the Security Committee of either Ultra's Special Security Agreement Company or Ultra's Proxy Board Company, as appropriate. During 2018, two reports were led via this system (one for an HR matter and one an unsolicited invitation to a conference). Each of these reports were reviewed as received, responses were provided promptly via the system, and the matters were subsequently closed.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 7]</p> 

Employees are encouraged to report any instances of non-compliance with Ultra's Compliance Policies through their Line Manager. However, Ultra recognises that employees may not always feel able to do so. Ultra has, since 2010, operated an anonymous and confidential phone and internet based reporting system called the Ultra Electronics Employee Helpline, which is independently managed by a company called EthicsPoint. The system is designed to enhance communication and enable Ultra to promote safety, security and ethical behaviour. All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's senior, independent Non-Executive Director (other than US security-related issues which are routed through the outside directors of the Special Security Arrangement Board or Proxy Board).

[3] Anti-Corruption and Bribery Policy (Document)

Accessed 05/06/2019

<https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf>

[p. 1] 2. Who is covered by the Policy?

This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).

[p. 4] You must notify your manager as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future. If you feel unable to tell your line manager about this you should use the Ultra Electronics Employee Hotline. For example, if a client or potential client offers you something to gain a business advantage for us, or indicates to you that a gift or payments is required to secure their business. Further "red flags" that may indicate bribery or corruption are set out in the Schedule.

[p. 5] How to raise a concern

You are encouraged to raise concerns about any issue or suspicion of malpractice at the earliest possible stage. If you are unsure whether a particular act constitutes bribery or corruption, or if you have any other queries, these should be raised with your line manager or through the Ultra Electronics Employee Hotline.

[12] EthicsPoint (Webpage)

Accessed 03/03/2020

<https://secure.ethicspoint.com/domain/media/en/gui/25388/index.html>

Ultra Electronics and EthicsPoint

Ultra Electronics has arranged for EthicsPoint to provide an independent, anonymous and confidential Helpline through which you can report anything that you believe to be a violation of the Code. You may make a report on this site or contact EthicsPoint by dialling, free of charge, the number for your country (these are found under the appropriate section of this site). If you make a report on the Helpline you can trust that Ultra Electronics will investigate, and, whenever a violation of the Code is found, take corrective action and inform you of the result. All enquiries will be handled promptly and discreetly. You have the right to remain anonymous and confidentiality will be maintained insofar as is possible.

As an Ultra Electronics employee you will not be penalised, dismissed, demoted or suspended and no retaliatory action will be taken against you for reporting or enquiring in good faith about potential breaches of the Code, or for seeking guidance on how to handle suspected breaches. Business Managing Directors and Presidents must ensure that there is no retribution against you if you report an alleged violation of the Code or other related company policies or procedures.

When you should use the Helpline

Please note that the Helpline is not the appropriate place to register an employee grievance if you feel you are not properly treated in accordance with Ultra Electronics Human Resources or other policies. Those reports should be made to your supervisor, manager, or to your Human Resources Department in the first instance. If you cannot raise a grievance within your business for some reason then the Helpline should be used. Use of the Helpline is appropriate when someone else is mistreating others or not complying with the Code, other Ultra Electronics policies, or any law or government regulation.

[...]

To Make a Report

Select the country in which you are located.

▼

- Select -

Australia

Canada

China

France

Germany

Hong Kong

India

Ireland

Mexico

Oman

South Africa

Spain

Switzerland

Thailand

Turkey

United Arab Emirates

United Kingdom

United States

[Sample selection]

Select the country in which you are located.

▼

Online

- Select the country in which the violation took place.

▼

- Select the appropriate company or group

- Select -

By Phone

International Toll-Free Service (ITFS)

From an outside line dial the ITFS number for your location:

Mexico.....001-800-840-7907

- Calls will be answered with the following standard recorded greeting:
"Thank you for calling your ethics reporting hotline. Please remain on the line while we arrange for an interpreter to assist us with your call. This may take up to 3 minutes - please do not hang up. Thank you for your patience."
- Primary language: Español. Other options: English.

Mexico.....001-866-737-6850

- Primary language: English.

AT&T Direct Dial Access®

- From an outside line dial the AT&T Direct Dial Access® for your location:
Mexico (Spanish Operator).....001-800-658-5454
Mexico.....01-800-288-2872
Mexico (Por Cobrar Spanish).....01-800-112-2020
- At the prompt dial **866-225-1317**.
- The call will be answered in English. To continue your call in another language:
 - Please state your language to request an interpreter.
 - It may take 1-3 minutes to arrange for an interpreter.
 - During this time please do not hang up.

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.73] Whistleblowing

An externally hosted service, EthicsPoint, is used to provide an independent, anonymous and confidential helpline and online portal that employees can use to report any concerns they may have within the business where matters have not been resolved through the normal channels of reporting matters to their managers or local HR partners. Any report received is security cleared by our Ultra Electronics Defence Inc. ("UEDI") Security Officer to comply with our obligations with our Special Security Arrangement and Proxy companies. Providing a report does not contain classified information it is forwarded to our Senior Independent Director to make arrangements with the appropriate people to investigate the matter accordingly. The Ethics Oversight Committee (see page 59 for further details) also receive any reports made via EthicsPoint that are security cleared to assist with their review of ethics and culture throughout the Group. If a report contains classified information it is investigated within the UEDI framework. The Board also receives any reports made via Ethicspoint, and receive updates on any follow-up actions.

Employees are informed of EthicsPoint through posters (which are translated into local languages) and through the Group intranet. To ensure employees are fully aware, and reminded, of the EthicsPoint service, a re-launch of the whistleblowing platform is scheduled to take place in Q2 2020.

The Audit Committee, and the Board as a whole, is satisfied that the whistleblowing policy is appropriate and that the procedure to report concerns is practical and that the arrangements for dealing with any reports received are appropriate for our organisation.

[15] Policy Summaries (Webpage)

Accessed 15/05/2020

<https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy>

Whistleblowing Policy

Employees are encouraged to raise any genuine concerns they might have about certain wrongdoings within the company without fear of reprisal.

The whistleblowing policy allows individuals to disclose any action or inaction by Ultra or any of its workers, that the individual reasonably believes could lead or amount to:

- a criminal offence including bribery;
- a failure to comply with any legal obligations;
- a miscarriage of justice;
- danger to the health and safety of any individual;
- damage to the environment, or
- the deliberate concealment of information concerning any of the matters.

Disclosures may be reported using either of the following routes:

- directly to the individual's Line Manager
- via the employee Hotline – EthicsPoint

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company has a policy for conflicts of interest. The policy makes reference to actual and potential conflicts of interest. There is evidence that the company has procedures on conflicts of interest for employees and board members.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence that its policy covers perceived conflicts, nor does it define the types of relationships or conflicts covered under its policy. In addition, there is no evidence that the policies apply to subsidiaries and other controlled entities.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 3] Conflicts of interest (situations in which competing interests may impair an employee's ability to make objective and unbiased business decisions on behalf of the company) are sought to be avoided through Ultra's internal approvals and financial processes. Employees are encouraged to discuss potential or actual conflicts of interest with their Line Manager.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 78] Directors and their interests The Company has in place procedures for managing conflicts and potential conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise conflicts or potential conflicts of interest so that a Director is not in breach of his or her duty under UK company law. If Directors become aware of a conflict or potential conflict of interest they should notify in accordance with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest. Directors are excluded from the quorum and vote in respect of any matters in which they have a conflict of interest. No material conflicts were reported by Directors in 2018.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.64] Conflicts of interest The Board takes necessary actions to identify any potential conflicts of interest as part of the risk management process to ensure that independent judgements are not compromised in the decision-making process. Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors excuse themselves from consideration of the relevant matter and any conflict of interest discussion and decision is recorded appropriately.</p> <p>[p.92] Directors' conflicts of interest The Company has in place procedures for managing conflicts and potential conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise conflicts or potential conflicts of interest so that a Director is not in breach of his or her duty under UK company law. If Directors become aware of a conflict or potential conflict of interest they should notify the Board in accordance with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest. Directors are excluded from the quorum and vote in respect of any matters in which they have a conflict of interest. No material conflicts were reported by Directors in 2019.</p>

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
0
Comments
<p>Based on publicly available information, there is some evidence that the company has procedures to identify, declare and manage conflicts of interest. The company indicates that directors are required to report actual or potential conflicts to the board, while employees are advised to discuss the matter with their line manager.</p> <p>However, the company receives a score of '0' because it does not provide further information on its procedures for handling conflicts of interest, such as identifying a specific body or individual with oversight and accountability for handling cases. There is also no evidence that the company records all employee and board member declarations in a dedicated central register that is accessible to those responsible for oversight of the process, nor that it provides a description of criteria for recusals or disciplinary measures.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 05/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 3] Conflicts of interest (situations in which competing interests may impair an employee's ability to make objective and unbiased business decisions on behalf of the company) are sought to be avoided through Ultra's internal approvals and financial processes. Employees are encouraged to discuss potential or actual conflicts of interest with their Line Manager.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.64] Conflicts of interest The Board takes necessary actions to identify any potential conflicts of interest as part of the risk management process to ensure that independent judgements are not compromised in the decision-making process. Directors are required to report actual or potential conflicts of interest to the Board for consideration and, if appropriate, authorisation. If such conflicts exist, Directors excuse themselves from consideration of the relevant matter and any conflict of interest discussion and decision is recorded appropriately.</p> <p>[p.92] Directors' conflicts of interest The Company has in place procedures for managing conflicts and potential conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise conflicts or potential conflicts of interest so that a Director is not in breach of his or her duty under UK company law. If Directors become aware of a conflict or potential conflict of interest they should notify the Board in accordance with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest. Directors are excluded from the quorum and vote in respect of any matters in which they have a conflict of interest. No material conflicts were reported by Directors in 2019.</p>

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
0
Comments
There is no publicly available evidence that the company has a policy regulating the employment of current or former public officials.
Evidence
No evidence found.

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company publicly reports details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on corporate political contributions. The company publishes a clear statement that it does not make political contributions, and there is evidence that this applies to the company as a whole and its subsidiaries. In addition, there is evidence that the company is associated with a Political Action Committee (PAC) in the United States.</p> <p>Since the company does not prohibit political donations and is associated with a PAC, it receives a score of '0' in line with the scoring criteria.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 4] 7. Donations We do not make contributions to political parties.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.92] Political donations Neither the Company nor any of its subsidiaries have made any political donations during the year (2018: £nil).</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 78] Political expenditure Neither the Company nor any of its subsidiaries have made any political donations during the year (2017: £nil).</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p.3] Ultra does not make contributions to political parties. Ultra Electronics (USA) Group Inc. has established a Political Action Committee (the "PAC"). The PAC is a voluntary, not-for-profit, unincorporated political association which allows eligible U.S. personnel and directors of Ultra companies in the U.S. to contribute personal funds to support and encourage the election to federal office of persons who support the business concerns of the Ultra Electronics corporate family, as well as its activities in the Defense, Energy, and Transportation markets. All contributions are made on an individual and voluntary basis. The PAC is operated in compliance with legal and regulatory requirements.</p>

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
<p>The company publishes a clear statement that it does not make corporate political contributions of any kind. However, there is no evidence that the company publishes details of the contributions made by its Political Action Committee (PAC), nor a link to its official disclosures in the United States, and therefore it receives a score of '0'.</p>
Evidence
<p>[5] Annual Report and Accounts 2018 (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 78] Political expenditure Neither the Company nor any of its subsidiaries have made any political donations during the year (2017: £nil).</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.92] Political donations Neither the Company nor any of its subsidiaries have made any political donations during the year (2018: £nil).</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p.3] Ultra does not make contributions to political parties. Ultra Electronics (USA) Group Inc. has established a Political Action Committee (the "PAC"). The PAC is a voluntary, not-for-profit, unincorporated political association which allows eligible U.S. personnel and directors of Ultra companies in the U.S. to contribute personal funds to support and encourage the election to federal office of persons who support the business concerns of the Ultra Electronics corporate family, as well as its activities in the Defense, Energy, and Transportation markets. All contributions are made on an individual and voluntary basis. The PAC is operated in compliance with legal and regulatory requirements.</p>

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
0
Comments
Based on publicly available information, there is evidence that the company has a policy covering charitable donations. However, there is no clear evidence that the company has a policy covering sponsorships, nor that its policy on donations includes specific controls to ensure that they are not used for bribery. There is also no evidence that the company publishes any details about the charitable contributions made in the most recently reported financial year.
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 4] 7. Donations We do not make contributions to political parties. We only make charitable donations that are legal and ethical under local laws and practices. No donation in excess of the limit outlined in the Group Operating Manual must be offered or made without the prior approval of the Group Charities Committee.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf</p> <p>[p. 3] Ultra only makes charitable donations that are legal and ethical under local laws and practices. All charitable donations require the consent of the business' MD/President. The Chief Executive's consent is also required where the donation is greater than £2,500 (where there is no matching employee contribution) or greater than £10,000 (where there is a matching employee contribution).</p>

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
0
Comments
There is no publicly available evidence that the company has a policy or procedure on lobbying.
Evidence
No evidence found.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
0
Comments
There is no evidence that the company publishes any information on its lobbying aims, topics or activities.
Evidence
No evidence found.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company publishes any details about its lobbying expenditure.
Evidence
No evidence found.

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a policy on the giving and receipt of gifts and hospitality. The company's policy specifies financial limits for gifts and addresses the risks associated with gifts given to and received from public officials by indicating that they are not permitted. The company states that all gifts and hospitality above a certain threshold are recorded in central registers for each of its business units, which are accessible to those responsible for oversight of the process.</p>
Evidence
<p>[8] Gifts and Corporate Hospitality Policy (Document) Accessed 06/06/2019 https://www.ultra-electronics.com/uploads/compliance/Gifts-and-Corporate-Hospitality-Policy.pdf [p. 1] Gifts and Corporate Hospitality Policy July 2018</p> <p>The purpose of this policy is to set out our rules on the giving and receiving of gifts and corporate hospitality in order to protect our reputation and ensure that we operate both lawfully and ethically.</p> <p>This policy applies to all employees and to contractors, consultants and agency workers.</p> <p>Offering gifts</p> <p>You are allowed to offer modest non-cash gifts to business partners where appropriate for marketing purposes or, as long as the gift is occasional and not regular or repeated, other purposes such as expressing thanks or making a goodwill gesture. For example, we may offer promotional material such as pens, calendars etc for marketing purposes or send a small token gift to a business partner as a Christmas gift.</p> <p>If you want to offer a gift worth more than £25 or \$40 you must obtain prior approval from your Managing Director or President who will decide if the proposed gift is legitimate, proportionate and reasonable.</p> <p>You should never offer:</p> <ul style="list-style-type: none"> • cash gifts; • any sort of gift where the intention is to influence the recipient's judgment; • any sort of gift where you know that the recipient is not allowed to receive it. <p>Accepting gifts</p> <p>You are allowed to accept token gifts from business partners or potential business partners where this constitutes legitimate and reasonable marketing or where it is a legitimate goodwill gesture. For example, you can accept promotional items such as desk calendars or pens or occasional gestures such as a bunch of flowers from a customer to express thanks or offer congratulations.</p> <p>You should never accept:</p> <ul style="list-style-type: none"> • cash gifts; or • gifts which are extravagant/out of proportion with the value of the business relationship; or <p>[p.2] • repeated/regular gifts from the same donor; or</p> <ul style="list-style-type: none"> • any sort of gift where your judgment might reasonably be thought to be at risk of influence as a result of the gift (for example, a gift from a potential business partner shortly before you make a decision over whether or not to award them a contract); or

- any sort of gift which might reasonably bring the business into disrepute or be contrary to terms or the spirit of our equal opportunities/dignity at work policy.

Be aware that a 'gift' includes food, drink and other corporate hospitality if the host is not present. For example, if you are invited to attend a major sporting event by one of our suppliers but the supplier will not be present then the tickets are a gift.

If you are offered a gift in circumstances which make you concerned or uncomfortable then you should raise this with your line manager. It is our policy and your responsibility to act ethically at all times.

If any unauthorised gift is offered to you then you should decline it politely explaining that our policy does not permit you to accept it, unless to do so would be embarrassing or insulting (for example because the gift is offered in public) in which case you should accept the gift and then refer the situation to your manager. The company is likely to write to the donor of the gift explaining our policy and returning the item.

Gifts and overseas travel

If you are travelling overseas on business to an area where gifts are an important part of business culture then you will be allowed and expected to participate in gift giving and receiving but this still needs to be proportionate and reasonable from an Ultra perspective. You should seek guidance from your Managing Director or President.

Corporate hospitality and entertainment

Our policy is to participate in corporate hospitality and entertainment where this will promote good relationships with our business partners.

For example, entertaining business partners at social events during major trade shows would be acceptable. In addition, working lunches with business partners are appropriate, as long as they are in line with the expenses policy of your local Ultra business.

However, corporate hospitality and entertainment, including attendance at dinners or sporting events, should not be offered or accepted if:

- the estimated value per person exceeds £250 or \$400; or
- it is lavish or extravagant; or
- it is on a scale which is disproportionate to the legitimate business value of the relationship; or
- you are offering it with the intention of influencing the recipient's judgment or
- when you know they are not permitted to accept it; or
- you are offered it in circumstances when acceptance would influence your business judgment or put you in a difficult position; or

[p.3] • if it would infringe our expenses policy; or

- if it might reasonably bring the business into disrepute or contravene the terms or the spirit of our equal opportunities/dignity at work policy.

If you are unsure as to whether a particular invitation is appropriate, you should seek guidance from your Managing Director or President

Expenses policy

Each Ultra business has a local expenses policy. Employees in each business must adhere to that policy. In particular it is essential that employees should obtain receipts for expenses as required by the local policy.

Recording and disclosing

Each Ultra business must maintain a record of all gifts above £25 or \$40 and all corporate hospitality above £100 or \$160 whether these are given or received. These must be reported to the person who the Managing Director or President designates as having responsibility for maintaining this record.

[3] Anti-Corruption and Bribery Policy (Document)

Accessed 06/06/2019

<https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf>

[p. 1] 1.1 In this policy, third party means any individual or organisation you come into contact with during the

course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers and government and officials, politicians and political parties.

[p. 2] 4. Gifts and hospitality

4.1 This policy does not prohibit normal and appropriate hospitality (given and received) to or from third parties. However, corporate hospitality is subject to the Ultra Electronics Gifts and Corporate Hospitality Policy (see separate policy document).

4.2 The giving or receipt of gifts is not prohibited, if the following requirements are met:

- (a) It complies with the Ultra Electronics Gifts and Corporate Hospitality Policy;
- (b) It is not made with the intention of influencing a third party to obtain or retain business or a business advantage, or to reward the provision or retention of business of a business advantage, or in explicit or implicit exchange for favours or benefits;
- (c) It complies with local law;
- (d) It is given in our name, not in your name;
- (e) It does not include cash or a cash equivalent (such as gift certificates or vouchers);
- (f) It is appropriate in the circumstances. For example, in some countries it is customary for small gifts to be given at Christmas time;
- (g) Taking into account the reason for the gift, it is of an appropriate type and value and given at an appropriate time;
- (h) It is given openly, not secretly; and
- (i) Gifts should not be offered to, or accepted from, government officials or representatives, or politicians or political parties.

4.3 We appreciate that the practice of giving business gifts varies between countries and regions and what may be normal and acceptable in one region may not be in another. The test to be applied is whether in all the circumstances the gift or hospitality is reasonable and justifiable. The intention behind the gift should always be considered.

[5] Annual Report and Accounts 2018 (Document)

Accessed 06/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 24] Ultra has a corporate ethics code, which encompasses a gifts and hospitality policy. All Ultra businesses are required to report on compliance with the corporate ethics code monthly and the Board reviews compliance with the code twice a year. Ultra's ethics code can be found within Ultra's Policy Statement on Ethics and Business Conduct along with its policies on anti-corruption and anti-bribery, competition compliance and gifts and corporate hospitality.

[6] Ultra's Policy Statement on Ethics and Business Conduct (Document)

Accessed 06/06/2019

https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf

[p. 3] Ultra's Compliance Policies (including Anti-Corruption & Bribery, Competition & Anti-Trust, Offset, Anti-Slavery & Human Trafficking and Gifts & Hospitality) provide guidance to Ultra's employees on legal and ethical matters. Ultra's Compliance Policies are stored on Ultra's intranet which can be accessed by every employee.

[15] Policy Summaries (Webpage)

Accessed 15/05/2020

<https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy>

Gifts and Hospitality Policy



Employees are permitted to offer modest non-cash gifts to business partners where appropriate for marketing purposes or, as long as the gift is occasional and not regular or repeated, other purposes such as expressing thanks or making a goodwill gesture.

Employees are permitted to accept token gifts from business partners or potential business partners where this constitutes legitimate and reasonable marketing or where it is a legitimate goodwill gesture.

However, if the giving or receiving of gifts or hospitality is in any way for the purposes of obtaining an inappropriate advantage or benefit, then this may amount to a bribe which is prohibited by the Gifts and Corporate Hospitality policy and by law.

The Gifts and Corporate Hospitality Policy sets out financial limits and approval levels for gifts and hospitality. It also outlines that both gifts and hospitality must be recorded in a gifts and hospitality register.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
0
Comments
<p>There is no clear evidence that the company requires the involvement of its procurement department in the establishment and oversight of its suppliers. The company refers to a Procurement Council body in its 2019 Annual Report, however there is no further publicly available evidence that the company requires the involvement of its procurement department in the establishment and oversight of its supplier base.</p>
Evidence
<p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.17] Suppliers Goal Develop Group-wide supplier partners with like-minded values that provide best value solutions, technical innovation and support mutual success, fairness and respect. Achieved by: +taking a long-term and partnering approach to supply chain development +focusing on lowest total cost of supply (including quality, delivery and inventory) Key measures Best value solutions, supporting our technical innovations, partnership-based sourcing model How we have engaged this year +UK Procurement Council meets regularly to exchange ideas and market intelligence; North America equivalent to be launched +Global electronics supply chain being reviewed, with new strategy in place H2 2020 and deployed through 2021</p> <p>[p.44] Mitigation commentary/examples +Proactive supply chain management by businesses +Supply chain risks coordination through a 'Procurement Council' body with business and corporate specialist representation +Effective and tested business continuity plans +Systems policies and procedures including back-up and recovery protocols +Cross-business incident management teams used for multi-business incidents such as Brexit and COVID-19</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 07/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 39]</p> <div> <div> <p>RISK 5</p> <h3>SUPPLY CHAIN</h3> <p>The Group relies upon suppliers and subcontractors to deliver upon its customer commitments. Ultra's supply chain needs to be efficient to maintain margins and to be compliant with legislation.</p> <p>The Group's manufacturing facilities are exposed to natural catastrophe risks and the Group is exposed to social, economic, regulatory and political conditions in the countries in which it operates.</p> <p>TREND: SLIGHT INCREASE </p> <p> Pg 35 Brexit case study</p> </div> <div> <p>A procurement strategy and SMART objectives are being developed and an assessment of the impact of Brexit has been undertaken. The Brexit risk has meant the supply chain risk has slightly increased.</p> </div> </div>

[p. 40]

POTENTIAL IMPACT OF FAILURE

- Failure to deliver against customer commitments
- Reduced profit margins and increased contractual disputes and litigation
- Loss of reputation and investor confidence

MITIGATIONS (EXAMPLES)

- Building ongoing partnerships with strategic suppliers and managing major supplier risks and issues (including single source arrangements) through the bid management and contract management policies
- Establishment of regional procurement councils to target the optimisation of Ultra's supply chain for Direct Procurement
- Evaluation of Brexit risk has identified supply chain as the key area of risk. More detail is included on page 35
- The Board's commitment to compliance with the Modern Slavery Act 2015 is contained in the Anti-Slavery and Human Trafficking Statement (www.ultra-electronics.com/investors/anti-slavery-and-human-trafficking-policy.aspx)
- Business continuity and disaster recovery plans are in place
- The Group has business interruption, property damage, professional indemnity and product liability insurance

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company conducts risk-based anti-bribery and corruption due diligence on all third parties, which can be understood to include suppliers. The company indicates that the highest risk third parties are subject to enhanced due diligence, and due diligence is repeated every two years.</p> <p>However, the company receives a score of '1' because there is no clear evidence that the company might be willing to review and/or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated. There is also no evidence that the company's due diligence processes include checks on the ultimate beneficial ownership of suppliers.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 07/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 3] Ultra's businesses comply with the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) sanctions in regard to any person named on the Specifically Designated Nationals and Blocked Persons list (SDN) as well the Comprehensive and Non-Comprehensive sanctions programmes which prohibit or limit financial transactions and other dealings involving certain named countries. It is the responsibility of each business unit to proactively monitor existing and proposed transactions against the latest published lists. Businesses conduct due diligence on third parties to ensure compliance with OFAC and keep records of all checks made.</p> <p>[p. 5] Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf. Ultra conducts a minimum level of due diligence on all Third Parties, including:</p> <ul style="list-style-type: none"> • Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up. • References are obtained e.g. national trade associations and Government's overseas trade ministries. <p>In addition, in higher risk situations, Ultra's businesses engage a third party search company to carry out a more detailed search and any unusual facts or red flags raised by such search are followed up. Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p> <p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.17] Suppliers Goal Develop Group-wide supplier partners with like-minded values that provide best value solutions, technical innovation and support mutual success, fairness and respect. Achieved by: +taking a long-term and partnering approach to supply chain development +focusing on lowest total cost of supply (including quality, delivery and inventory) Key measures Best value solutions, supporting our technical innovations, partnership-based sourcing model How we have engaged this year +UK Procurement Council meets regularly to exchange ideas and market intelligence; North America equivalent to be launched</p>

+Global electronics supply chain being reviewed, with new strategy in place H2 2020 and deployed through 2021

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
0
Comments
<p>There is evidence that the company includes anti-bribery provisions in its contracts with all third parties, which provide for termination rights in the event of policy breaches. However, the company receives a score of '0' because there is no clear evidence that it requires suppliers to have adequate anti-bribery and corruption policies in place that prohibit bribery or facilitation payments, or procedures in place covering conflicts of interest, gifts and hospitality and whistleblowing.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 07/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] Anti-Corruption Risk Assessment Procedure</p> <p>[...]</p> <p>Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p>

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
0
Comments
There is no publicly available evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
<p>[5] Annual Report and Accounts 2018 (Document) Accessed 07/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 34] Ultra's principal risks reflect the high priority it places on compliance with all legislative and regulatory requirements and the maintenance of high ethical standards across the Group, its supply chain and in its dealings with its customers.</p> <p>[...]</p> <p>The Group relies upon suppliers and subcontractors to deliver upon its customer commitments. Ultra's supply chain needs to be efficient to maintain margins and to be compliant with legislation.</p>

Question
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or anti-bribery and corruption incidents, investigations or disciplinary actions relating to its suppliers.
Evidence
No evidence found.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy covering the use of agents. The company provides some information on controls to mitigate corruption risks associated with the use of agents.</p> <p>However, the company receives a score of '1' because there is no evidence that it clearly commits to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 1] 1.5 We have identified that Agents Agreements (including Resellers, Distributors, Teaming Partners and Joint Venture Partners) are a particular risk for our business. To address those risks we will undertake due diligence on all Agents Agreements and undertake additional investigations into those Agents Agreements in territories below a score of 70 on the latest Transparency International Corruption Perceptions Index.</p> <p>1.6 In this policy, third party means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers and government and officials, politicians and political parties.</p> <p>2. WHO IS COVERED BY THE POLICY? This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf</p> <p>[p. 50] The Board reviewed and approved its policy in relation to the use of Agents. The Company continues to take compliance very seriously and the Board and Executive Team strive to reinforce an ethical culture. For example, all employees are required to undertake anti-bribery training on an annual basis and updated agents' policies are now in place. GDPR processes are being transferred from a change programme to "business as usual".</p> <p>[15] Policy Summaries (Webpage) Accessed 15/05/2020 https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy</p> <p>Ultra Electronics is subject to the stringent anti-corruption requirements of the US Foreign Corrupt Practices Acts (the "FCPA"), the UK Bribery Act (the "UKBA") and the local laws of the countries in which it operates. The FCPA and UKBA prohibit the bribery of foreign public officials by Ultra or those working on its behalf.</p> <p>Ultra, in accordance with Regulator expectations, undertakes intermediary compliance reviews proportionate to the risks involved in the engagement of an intermediary.</p>

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has procedures in place to conduct risk-based anti-bribery and corruption due diligence on agents. The company indicates that due diligence on agents is risk based and repeated at least every two years. The company's bid approval process includes an assessment of anti-bribery compliance risks.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf</p> <p>[p. 3] Ultra's businesses comply with the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) sanctions in regard to any person named on the Specifically Designated Nationals and Blocked Persons list (SDN) as well the Comprehensive and Non-Comprehensive sanctions programmes which prohibit or limit financial transactions and other dealings involving certain named countries. It is the responsibility of each business unit to proactively monitor existing and proposed transactions against the latest published lists. Businesses conduct due diligence on third parties to ensure compliance with OFAC and keep records of all checks made.</p> <p>[p. 5] Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf. Ultra conducts a minimum level of due diligence on all Third Parties, including:</p> <ul style="list-style-type: none"> • Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up. • References are obtained e.g. national trade associations and Government's overseas trade ministries. <p>In addition, in higher risk situations, Ultra's businesses engage a third party search company to carry out a more detailed search and any unusual facts or red flags raised by such search are followed up.</p> <p>Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 1] 1.5 We have identified that Agents Agreements (including Resellers, Distributors, Teaming Partners and Joint Venture Partners) are a particular risk for our business. To address those risks we will undertake due diligence on all Agents Agreements and undertake additional investigations into those Agents Agreements in territories below a score of 70 on the latest Transparency International Corruption Perceptions Index.</p> <p>[15] Policy Summaries (Webpage) Accessed 15/05/2020 https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy</p> <p>Ultra Electronics is subject to the stringent anti-corruption requirements of the US Foreign Corrupt Practices Acts (the "FCPA"), the UK Bribery Act (the "UKBA") and the local laws of the countries in which it operates. The FCPA and UKBA prohibit the bribery of foreign public officials by Ultra or those working on its behalf.</p> <p>Ultra, in accordance with Regulator expectations, undertakes intermediary compliance reviews proportionate to the risks involved in the engagement of an intermediary.</p>

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
0
Comments
There is no publicly available evidence that the company aims to establish the beneficial ownership of its agents as part of its due diligence.
Evidence
No evidence found.

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
0
Comments
<p>There is evidence that the company's anti-bribery and corruption policy applies to agents. There is also evidence that the company's agreements with third parties contain anti-bribery provisions which provide for termination in the event of policy breaches.</p> <p>However, the company receives a score of '0' because there is no evidence that it includes audit rights in its contracts with agents.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf</p> <p>[p.5] Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf. Ultra conducts a minimum level of due diligence on all Third Parties, including:</p> <ul style="list-style-type: none"> • Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up. • References are obtained e.g. national trade associations and Government's overseas trade ministries. <p>In addition, in higher risk situations, Ultra's businesses engage a third party search company to carry out a more detailed search and any unusual facts or red flags raised by such search are followed up.</p> <p>Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p> <p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 08/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf</p> <p>[p. 1] 1.5 We have identified that Agents Agreements (including Resellers, Distributors, Teaming Partners and Joint Venture Partners) are a particular risk for our business. To address those risks we will undertake due diligence on all Agents Agreements and undertake additional investigations into those Agents Agreements in territories below a score of 70 on the latest Transparency International Corruption Perceptions Index.</p> <p>1.6 In this policy, third party means any individual or organisation you come into contact with during the course of your work for us, and includes actual and potential clients, customers, suppliers, distributors, business contacts, agents, advisers and government and officials, politicians and political parties.</p> <p>2.WHO IS COVERED BY THE POLICY? This policy applies to all individuals working at all levels and grades, including senior managers, officers, directors, employees (whether permanent, fixed term or temporary), consultants, contractors, trainees, seconded staff, home workers, casual workers and agency staff, volunteers, interns, agents, sponsors, or any other person associated with us, or any of our subsidiaries or their employees, wherever located (collectively referred to as workers in this policy).</p>

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
0
Comments
There is no publicly available evidence that the company addresses incentive structures as a risk factor in agent behaviour.
Evidence
No evidence found.

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents currently contracted to act for or on its behalf.
Evidence
No evidence found.

Question
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption related investigations, incidents or disciplinary actions involving agents.
Evidence
No evidence found.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
1
Comments
<p>Based on publicly available information, there is some evidence that the company has procedures in place to conduct risk-based anti-bribery and corruption due diligence on its joint venture partners. The company states that due diligence is repeated on all third parties every two years, although it does not mention joint venture partners specifically. There is also evidence that higher risk partners are subject to enhanced due diligence.</p> <p>The company receives a score of '1' because there is no evidence that the due diligence process includes checks on the ultimate beneficial ownership of the partner company.</p>
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 1] 1.5 We have identified that Agents Agreements (including Resellers, Distributors, Teaming Partners and Joint Venture Partners) are a particular risk for our business. To address those risks we will undertake due diligence on all Agents Agreements and undertake additional investigations into those Agents Agreements in territories below a score of 70 on the latest Transparency International Corruption Perceptions Index.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf. Ultra conducts a minimum level of due diligence on all Third Parties, including:</p> <ul style="list-style-type: none"> • Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up. • References are obtained e.g. national trade associations and Government's overseas trade ministries. <p>In addition, in higher risk situations, Ultra's businesses engage a third party search company to carry out a more detailed search and any unusual facts or red flags raised by such search are followed up. Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p>

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture relationships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
There is evidence that the company includes anti-bribery and corruption clauses in its contracts with all third parties, which include termination rights. However, the company does not refer to joint venture agreements specifically. The company scores '0' as there is no evidence that it commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures.
Evidence
<p>[3] Anti-Corruption and Bribery Policy (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf [p. 1] 1.5 We have identified that Agents Agreements (including Resellers, Distributors, Teaming Partners and Joint Venture Partners) are a particular risk for our business. To address those risks we will undertake due diligence on all Agents Agreements and undertake additional investigations into those Agents Agreements in territories below a score of 70 on the latest Transparency International Corruption Perceptions Index.</p> <p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.</p>

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
0
Comments
There is no publicly available evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures.
Evidence
No evidence found.

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company recognises the corruption risks associated with offset contracting. There is evidence that the company has a dedicated team involved in managing and monitoring offset obligations throughout the lifecycle of each project.</p> <p>However, the company receives a score of '1' because there is no evidence that it provides further details on the processes that it has in place to address the risks associated with offset contracting. In addition, there is no clear evidence to suggest that all employees within the offset team receive tailored anti-bribery and corruption training.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] Offset Commitment</p> <p>Ultra may enter into offset commitments with third parties. Ultra is committed to ensuring that any offset activities it undertakes are lawful. Ultra has an Offset Policy in place which sets out the process to be followed before any offset commitment is incurred. This process addresses the: corruption risks associated with offset; due diligence to be undertaken; and authorisation levels. A dedicated Offset Co-ordination Team within Ultra monitors and maintains a record of all offset activity within the Group. This provides Ultra's Executive Team and Board with oversight of all offset activities within the Group.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 50] The Board reviewed reports on the Group's offsets policy.</p> <p>[15] Policy Summaries (Webpage) Accessed 15/05/2020 https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy Group Offset Policy</p> <p>Ultra is committed to ensuring that any Offset activity in which it is involved is completed in full compliance with all applicable laws and regulations and in accordance with Ultra Electronics' Anti-Corruption and Bribery Policy. Ultra businesses may only engage in Offset where they can demonstrate:</p> <ul style="list-style-type: none"> • there is no inherent risk of corrupt or unethical behaviour; • appropriate due diligence has been conducted; • there is a compelling justification for the level of Offset required; and • internal approval has been obtained

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct due diligence on its offset obligations. There is evidence that the company seeks to assure itself of the legitimacy of the investment.</p> <p>However, the company receives a score of '1' because the company's publicly available policy does not specifically mention checks on beneficial ownership and conflicts of interest. There is also no evidence that the company refreshes this due diligence continuously or when there is a significant change in the business relationship or nature of the partner.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf</p> <p>[p. 5] Offset Commitment Ultra may enter into offset commitments with third parties. Ultra is committed to ensuring that any offset activities it undertakes are lawful. Ultra has an Offset Policy in place which sets out the process to be followed before any offset commitment is incurred. This process addresses the: corruption risks associated with offset; due diligence to be undertaken; and authorisation levels. A dedicated Offset Co-ordination Team within Ultra monitors and maintains a record of all offset activity within the Group. This provides Ultra's Executive Team and Board with oversight of all offset activities within the Group.</p> <p>[15] Policy Summaries (Webpage) Accessed 15/05/2020 https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy</p> <p>Group Offset Policy Ultra is committed to ensuring that any Offset activity in which it is involved is completed in full compliance with all applicable laws and regulations and in accordance with Ultra Electronics' Anti-Corruption and Bribery Policy. Ultra businesses may only engage in Offset where they can demonstrate:</p> <ul style="list-style-type: none"> • there is no inherent risk of corrupt or unethical behaviour; • appropriate due diligence has been conducted; • there is a compelling justification for the level of Offset required; and • internal approval has been obtained

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of its offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations and contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
1
Comments
<p>Based on publicly available information, there is some evidence the company acknowledges the corruption risks associated with operating in different markets. The company uses Transparency International's Corruption Perceptions Index as part of its risk-based approach to due diligence in order to identify risks.</p> <p>However, the company receives a score of '1' because there is no evidence that it has risk management procedures related to high risk markets. There is also no clear evidence that the results of these assessments have an impact on business decisions.</p>
Evidence
<p>[6] Ultra's Policy Statement on Ethics and Business Conduct (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf [p. 5] At Ultra, risk is identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level) as part of the annual strategic planning process. Annually, businesses identify risks to the successful delivery of their strategic plan and these are assessed at the divisional level. Risks which are corporate in nature or which span Ultra businesses, are elevated to the Executive Team for management. Resulting strategic risks are assessed and reviewed by the Board.</p> <p>Risks are reviewed regularly to ensure that they are relevant and appropriate mitigations are in place. Review of business activity and the management of resultant risk are also an integral part of Ultra's processes. Risks are considered and managed as business decisions are made.</p> <p>[...]</p> <p>Anti-Corruption Risk Assessment Procedure Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf.</p> <p>[5] Annual Report and Accounts 2018 (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 34] Effective risk management is a fundamental aspect of Ultra Electronics' operating, financial and governance activities. The Group continually analyses the risks it faces and assesses the effectiveness of its response to these risks within the control environment. This means that Ultra is able to give early consideration to emerging risks and this helps it to deliver on its commitments, improve long-term performance and enhance its reputation in the market. Pro table growth cannot be achieved without some degree of considered risk and the Group's objective to generate long-term shareholder value is reflected in Ultra's appetite for risk. Ultra's principal risks reflect the high priority it places on compliance with all legislative and regulatory requirements and the maintenance of high ethical standards across the Group, its supply chain and in its dealings with its customers.</p> <p>The Group's strategies for growth centre on delivering change programmes that support the agility of Ultra's businesses, encouraging an entrepreneurial culture of innovation in its people by having a diverse range of skills and capabilities amongst the Group's employees. Ultra has a low-risk appetite in situations where its culture, reputation or financial standing may be adversely affected. However, the Group does consider taking higher risks where the opportunity is seen to outweigh the potential negatives, provided appropriate levels of mitigating controls are in place. Where safety may be compromised, Ultra has zero tolerance to risk.</p>

Risk management and internal control

The Board has overall responsibility for establishing, monitoring and maintaining an effective system of risk management, governance and internal controls. The Board reviews risk as part of its annual strategy review process and risk management is a regular feature on Board meeting agendas. This provides the Board with an appreciation of the key risks within the business and oversight of how they are being managed. The responsibility for risk oversight is principally delegated to the Audit Committee with the ongoing review and challenge of risk management information provided by the Executive Team. In June 2018, we announced that the Herley business was likely to be impacted by cost overruns on development contracts. This was extremely disappointing; management are working to address the issues. Actions include a review of Ultra's programme and contracting approval and management systems, and a specific Internal Audit review across a number of the businesses to assess compliance against the contract management policies. Other than this item, no significant failings or weaknesses have been identified.

Risk management

The approach to risk management across the Group is to focus on the early identification of key risks thereby reducing the likelihood of the risk occurring and mitigating the effect of any. The Board reviews risk as part of its annual strategy review process and risk management is a regular feature on Board meeting agendas. This provides the Board with an appreciation of the key risks within the business and oversight of how they are being managed. The responsibility for risk oversight is principally delegated to the Audit Committee with the ongoing review and challenge of risk management information provided by the Executive Team.

[p. 35] The key components of the Risk Management Framework are:

Oversight structure and accountability

The risk management oversight structure has been developed using the principles of the "three lines of defence", which ensures risk is considered from both a top down and a bottom up perspective, with risk information captured at strategic, divisional and individual business levels.

Process

The risk management process is focused on risk identification (using cause and effect analysis), inherent (pre controls) and residual (post controls) assessment, control identification and the development and implementation of further mitigation strategies.

Escalation, monitoring and reporting

Changes to risk exposure are notified through the governance structure as required. Risk leads are identified for all risks and they have responsibility for the ongoing monitoring of the effectiveness of current controls and the progress against the implementation of further mitigating actions. The risk reporting flow is based on a combination of annual, bi-annual, quarterly and monthly reporting to the Board, Audit Committee, Executive Team and divisional/individual businesses' management teams.

[p. 36]

RISK/DESCRIPTION	CHANGES DURING 2018
<p>RISK 1</p> <p>GROWTH</p> <p>Ultra's strategic objective for year-on-year growth requires: the ability to respond to changing market dynamics; the capacity to win new business and deliver successfully against contracted customer requirements; the development of highly differentiated solutions to address customer needs; and the ability to select, execute and integrate acquisitions effectively.</p> <p>TREND: NO SIGNIFICANT CHANGE →</p> <p> Pgs 06–09 Chief Executive Officer's Review</p>	<p>Although the defence market has been challenging in recent years, there are strong indications of a return to growth, particularly in the US, as indicated by the Group's strong order book going into 2019. Political and economic circumstances in some of the Group's key markets mean that it is optimistic about organic growth continuing. The Company's focus in the year continued to be on its market-facing segment strategies, improving its planning for future political and economic developments in its key markets, and exploiting the anticipated market upturn. During the year a deep dive into innovation and development was undertaken (see page 42).</p>

[p. 37]

POTENTIAL IMPACT OF FAILURE

MITIGATIONS (EXAMPLES)

- Poor investment decisions leading to inadequate returns
- Reduced business opportunity and loss of reputation, customers, market share, revenue and profit
- Specialist capabilities eroded through commoditisation
- Reduction in anticipated acquisition value through overpayment, non-delivery of synergies and/or economies of scale and senior management focus diverted away from delivering "business as usual"

- The Group is offsetting challenges in the UK defence market by expanding in targeted overseas regions that exhibit long-term growth characteristics
- The market-facing segments enable Ultra to remain competitive and use the capabilities of its businesses to deliver enhanced solutions more effectively to its customers
- Improving the capacity and capability of the Group's sales and marketing teams
- Establishment and implementation of rigorous gate reviews of risk appetite for major opportunities so that acceptable margin levels and risk tolerances are maintained

- The Board conducts a rigorous review of acquisition opportunities including commissioning third party market reports and due diligence. Post-acquisition reviews are performed on all acquisitions comprising integration effectiveness, operational performance compared to expectation and lessons learned
- A working group reporting to the Executive Team has been established to evaluate the impact of recent geo-political events on Ultra
- The recommendations from the deep dive into innovation and development will be implemented

[p. 38]

Risk/Description

Changes during 2018

RISK 5

SUPPLY CHAIN

The Group relies upon suppliers and subcontractors to deliver upon its customer commitments. Ultra's supply chain needs to be efficient to maintain margins and to be compliant with legislation.

The Group's manufacturing facilities are exposed to natural catastrophe risks and the Group is exposed to social, economic, regulatory and political conditions in the countries in which it operates.

TREND: SLIGHT INCREASE



 Pg 35 Brexit case study

A procurement strategy and SMART objectives are being developed and an assessment of the impact of Brexit has been undertaken. The Brexit risk has meant the supply chain risk has slightly increased.

RISK 6

GOVERNANCE AND INTERNAL CONTROLS

Maintaining corporate governance standards as well as an effective risk management and internal control system is critical to supporting the delivery of the Group's strategy.

TREND: SLIGHT INCREASE



 Pgs 47–53 Governance and Accountability

A new Chief Executive Officer joined the Company in June 2018 and as a result, the roles of Chief Executive Officer and Chair of the Board were separated again bringing Ultra back into line with the expectations of the Code. As further described on page 52, the Board undertook a Governance workshop during the year with actions being identified to make improvements to processes. The Board determined that there had been a slight increase in this risk, however, this is expected to reduce as we continue to review and refresh our governance processes and policies following the corporate governance workshop and implement changes necessary as a result of new Corporate Governance Code and statutory reporting requirements during 2019.

[p. 39]

POTENTIAL IMPACT OF FAILURE

MITIGATIONS (EXAMPLES)

- Failure to deliver against customer commitments
- Reduced profit margins and increased contractual disputes and litigation
- Loss of reputation and investor confidence

- Building ongoing partnerships with strategic suppliers and managing major supplier risks and issues (including single source arrangements) through the bid management and contract management policies
- Establishment of regional procurement councils to target the optimisation of Ultra's supply chain for Direct Procurement
- Evaluation of Brexit risk has identified supply chain as the key area of risk. More detail is included on page 35

- The Board's commitment to compliance with the Modern Slavery Act 2015 is contained in the Anti-Slavery and Human Trafficking Statement (www.ultra-electronics.com/investors/anti-slavery-and-human-trafficking-policy.aspx)
- Business continuity and disaster recovery plans are in place
- The Group has business interruption, property damage, professional indemnity and product liability insurance

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> • Significant financial loss (e.g. fraud, theft, material errors) • Loss of reputation and investor confidence • Loss of business opportunity with removal of government approval to work on classified programmes | <ul style="list-style-type: none"> • The Group Operating Manual and Risk Management Framework provides clear instructions on the Group's internal governance and controls • The businesses provide year-end disclosures on the effectiveness of their accounting and internal control systems | <ul style="list-style-type: none"> • Internal Audit conducts an audit of the Group's internal control system <p>The terms of reference for the Board and committees are reviewed and updated annually.</p> |
|--|---|---|

[14] Annual Report 2019 (Document)

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.45] Governance, Compliance & Internal Controls

In common with other businesses in our sector, the Group operates in a highly regulated environment across multiple jurisdictions and is subject to a range of regulatory, governance and compliance requirements.

Retrospective compliance changes (for example, tax) or a failure in the framework of internal controls could result in penalties, liabilities or reputational damage.

2018 risk comparator Governance and Internal Controls; Legislation/Regulation

Potential impact

Key impacts from specific relevant controls/ events, all of which carry the potential for reputational damage are as follows:

[...]

+Anti-bribery and corruption (ABC): failure to comply with multiple jurisdiction rules in relation to public sector contracts directly or through intermediaries could result in regulatory action and penalties

Question

9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

Score

1

Comments

The company publishes a list of its consolidated subsidiaries and non-fully consolidated holdings. This list includes the percentage owned and country of incorporation of each entity, and is updated on an annual basis.

However, the company receives a score of '1' because there is no evidence that the list includes the countries of operation of each entity. It is also unclear whether joint venture partnerships would be included in the list.

Evidence**[14] Annual Report 2019 (Document)**

Accessed 15/05/2020

<https://www.ultra.group/media/1203/ultra-ar-2019.pdf>

[p.143]

35 Related undertakings

The Company owns either directly or indirectly the ordinary share capital of the following undertakings:

Company name	Country incorporated	% owned	Direct/Indirect (Group interest)
3e Technologies International Inc.	United States	100%	Indirect (Group interest)
AEP Networks Inc.	United States	100%	Indirect (Group interest)
AEP Networks Limited	Ireland	100%	Direct
AEP Networks Limited	United Kingdom	100%	Indirect (Group interest)
CORVID Holdings Limited	Guernsey	95%	Direct
CORVID Protect Holdings Limited	Guernsey	95%	Indirect (Group interest)
DF Group Limited	United Kingdom	100%	Direct
EMS Development Corporation	United States	100%	Indirect (Group interest)
ERAPSCO	United States	50%	Indirect (Group interest)
EW Simulation Technology Limited	United Kingdom	100%	Indirect (Group interest)
Flightline Electronics Inc.	United States	100%	Indirect (Group interest)
Forensic Technology (Europe) Limited	Ireland	100%	Direct
Forensic Technology AEC Thailand Limited	Thailand	100%	Direct
Forensic Technology Inc.	United States	100%	Direct
Forensic Technology Mexico S. de RL. de CV	Mexico	100%	Indirect (Group interest)
Forensic Technology-Tecnologia Forense Ltda	Brazil	100%	Indirect (Group interest)
Giga Communications Limited	United Kingdom	100%	Direct
GIGASAT, INC.	United States	100%	Direct
Gigasat. Asia Pacific Pty Limited	Australia	100%	Indirect (Group interest)
Herley Industries Inc.	United States	100%	Indirect (Group interest)
Herley-CTI Inc.	United States	100%	Indirect (Group interest)
Projectina AG	Switzerland	100%	Direct
Prologic Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics (USA) Group Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Advanced Tactical Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Aneira Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Australia Pty Limited	Australia	100%	Direct
Ultra Electronics Avalon Systems Pty Limited	Australia	100%	Indirect (Group interest)
Ultra Electronics Canada Inc.	Canada	100%	Direct
Ultra Electronics Connecticut LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Defense Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics DNE Technologies Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Enterprises (USA) LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Finance Limited	Jersey	100%	Indirect (Group interest)
Ultra Electronics Forensic Technology Inc./ Les Technologies Ultra Electronics Forensic Inc.	Canada	100%	Direct

[p.144]

35 Related undertakings continued

Company name	Country incorporated	% owned	Direct/Indirect (Group interest)
Ultra Electronics Hong Kong Holdings Limited	Hong Kong	100%	Direct
Ultra Electronics ICE, Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics in collaboration with Oman Investment Corporation LLC (in liquidation)	Oman	70%	Direct
Ultra Electronics Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Investments (USA) LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Limited	United Kingdom	100%	Direct
Ultra Electronics Maritime Systems Inc.	Canada	100%	Indirect (Group interest)
Ultra Electronics Measurement Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Ocean Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Pension Trustee Company Limited	United Kingdom	100%	Indirect (Group interest)
Ultra Electronics Precision Air and Land Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Secure Intelligence Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Swiss Holdings Company Limited	United Kingdom	100%	Indirect (Group interest)
Ultra Electronics TCS Inc.	Canada	100%	Indirect (Group interest)
Ultra Electronics TopScientific Aerospace Limited	Hong Kong	50%	Direct
UnderSea Sensor Systems Inc.	United States	100%	Indirect (Group interest)
Vados Systems Limited	United Kingdom	100%	Indirect (Group interest)
Weed Instrument Company Inc.	United States	100%	Indirect (Group interest)

The principal activity of the trading subsidiary undertakings is the design, development and manufacture of electronic systems for the international defence and aerospace markets.

Registered Office: Ultra Electronics Holdings plc, 35 Portman Square, Marylebone, London, W1H 6LR, England.

[5] Annual Report and Accounts 2018 (Document)

Accessed 10/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 125] 36 Related undertakings

The Company owns either directly or indirectly the ordinary share capital of the following undertakings:

Company name	Country incorporated	% owned	Direct/Indirect (Group interest)
3 Phoenix Inc.	United States	100%	Indirect (Group interest)
3e Technologies International Inc.	United States	100%	Indirect (Group interest)
AEP Networks Asia Pacific SDN BHD	Malaysia	100%	Indirect (Group interest)
AEP Networks Australia Pty Limited	Australia	100%	Indirect (Group interest)
AEP Networks Inc.	United States	100%	Indirect (Group interest)
AEP Networks Limited	Ireland	100%	Direct
AEP Networks Limited	United Kingdom	100%	Indirect (Group interest)
CORVID Holdings Limited	Guernsey	95%	Direct
CORVID Paygate Limited	Guernsey	95%	Indirect (Group interest)
CORVID Protect Holdings Limited	Guernsey	95%	Indirect (Group interest)
Dascam Consulting Limited	Cyprus	100%	Direct
DF Group Limited	United Kingdom	100%	Direct
EMS Development Corporation	United States	100%	Indirect (Group interest)
ERAPSCO	United States	50%	Indirect (Group interest)
EW Simulation Technology Limited	United Kingdom	100%	Indirect (Group interest)
Flightline Electronics Inc.	United States	100%	Indirect (Group interest)
Forensic Technology (Europe) Limited	Ireland	100%	Direct
Forensic Technology AEC Thailand Limited	Thailand	100%	Direct
Forensic Technology Inc.	United States	100%	Direct
Forensic Technology Mexico S. de RL. de C.V	Mexico	100%	Indirect (Group interest)

[p. 126]

Company name	Country incorporated	% owned	Direct/Indirect (Group interest)
Ultra Electronics Airport Systems (South Africa) (Proprietary) Limited	South Africa	100%	Direct
Ultra Electronics Airport Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Australia Pty Limited	Australia	100%	Direct
Ultra Electronics Avalon Systems Pty Limited	Australia	100%	Indirect (Group interest)
Ultra Electronics Canada Inc.	Canada	100%	Direct
Ultra Electronics Connecticut LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Defense Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics DNE Technologies Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Enterprises (USA) LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Finance Limited	Jersey	100%	Indirect (Group interest)
Ultra Electronics Finance Switzerland A.G.	Switzerland	100%	Indirect (Group interest)
Ultra Electronics Forensic Technology Inc./Les Technologies Ultra Electronics Forensic Inc.	Canada	100%	Direct
Ultra Electronics Hong Kong Holdings Limited	Hong Kong	100%	Direct
Ultra Electronics ICE, Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics in collaboration with Oman Investment Corporation LLC (in liquidation)	Oman	70%	Direct

[...]

Ultra Electronics Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Investments (USA) LLC	United States	100%	Indirect (Group interest)
Ultra Electronics Limited	United Kingdom	100%	Direct
Ultra Electronics Maritime Systems Inc.	Canada	100%	Indirect (Group interest)
Ultra Electronics Measurement Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics (Netherlands) Limited	United Kingdom	100%	Indirect (Group interest)
Ultra Electronics Ocean Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Pension Trustee Company Limited	United Kingdom	100%	Indirect (Group interest)
Ultra Electronics Precision Air and Land Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Secure Intelligence Systems Inc.	United States	100%	Indirect (Group interest)
Ultra Electronics Swiss Holdings Company Limited	United Kingdom	100%	Indirect (Group interest)
Ultra Electronics TCS Inc.	Canada	100%	Indirect (Group interest)
Ultra Electronics Technology (Beijing) Co Limited	China	100%	Direct
Ultra Electronics Tisys	France	100%	Direct
Ultra Electronics TopScientific Aerospace Limited	Hong Kong	50%	Direct
UnderSea Sensor Systems Inc.	United States	100%	Indirect (Group interest)
Vados Systems Limited	United Kingdom	100%	Indirect (Group interest)
Weed Instrument Company Inc.	United States	100%	Indirect (Group interest)

Question**9.3 Does the company disclose its beneficial ownership and control structure?****Score****2****Comments**

There is evidence that the company is publicly listed on the London Stock Exchange, and therefore it is not required to disclose further information on its beneficial ownership to receive a score of '2'. The company also publishes information on its website about its shareholders with interests in the company in excess of 3%.

Evidence**[13] Financial Times Markets Data (Webpage)**

Accessed 05/03/2020

<https://markets.ft.com/data/equities/tearsheet/summary?s=ULE:LSE>

Ultra Electronics Holdings PLC

ULE:LSE ▼

Industrials > Aerospace & Defense

PRICE (GBX)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA
1,958.00	↓ -12.00 / -0.61%	208.87k	↑ 52.49%	0.7572

Data delayed at least 20 minutes, as of Mar 05 2020 16:35 GMT.

[9] Key Shareholders (Webpage)

Accessed 10/06/2019

<https://www.ultra-electronics.com/investor-centre/key-shareholders>

At 5th March 2019 the following interests of shareholders in excess of 3%, have been notified to the Company.

Holder	% Holding	% Cumulative Holding
FMR	10.00	10.00
FIL	9.49	19.49
Invesco	6.54	26.03
Heronbridge	6.11	32.14
Baillie Gifford	4.93	37.07
Mondrian	4.86	41.93
Legal & General	4.86	41.93
Aberforth	4.81	51.6
Blackrock Inc	4.22	55.82
Standard Life Aberdeen	3.99	59.81
Wellington Mgmt	3.85	63.66
Vanguard	3.41	67.07

[5] Annual Report and Accounts 2018 (Document)

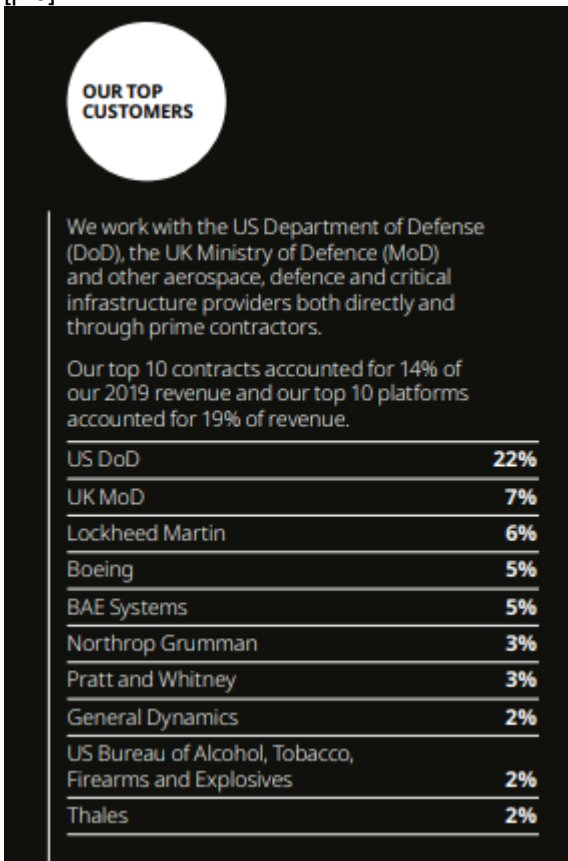
Accessed 10/06/2019

https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf

[p. 78] Substantial shareholdings

As at 1 March 2019, being the latest practicable date prior to the approval of this report, Ultra had been notified of the following voting rights as shareholders of Ultra:

	Percentage of ordinary share capital	Number of 5p ordinary shares
Fidelity Management & Research Company	10.00	7,083,423
Fidelity International Limited	9.49	6,721,162
Invesco Ltd	6.54	4,630,632
Heronbridge Investment Management	6.11	4,331,165
Baillie Gifford & Co Ltd	4.93	3,490,258
Mondrian Investment Partners Ltd	4.86	3,588,536
Legal & General Investment Mgmt Ltd	4.86	3,443,207
Aberforth Partners LLP	4.81	3,403,594
BlackRock Inc	4.22	2,988,535
Aberdeen Standard Investments	3.99	2,824,639
Wellington Management Company	3.85	2,729,425
The Vanguard Group Inc	3.41	2,418,219

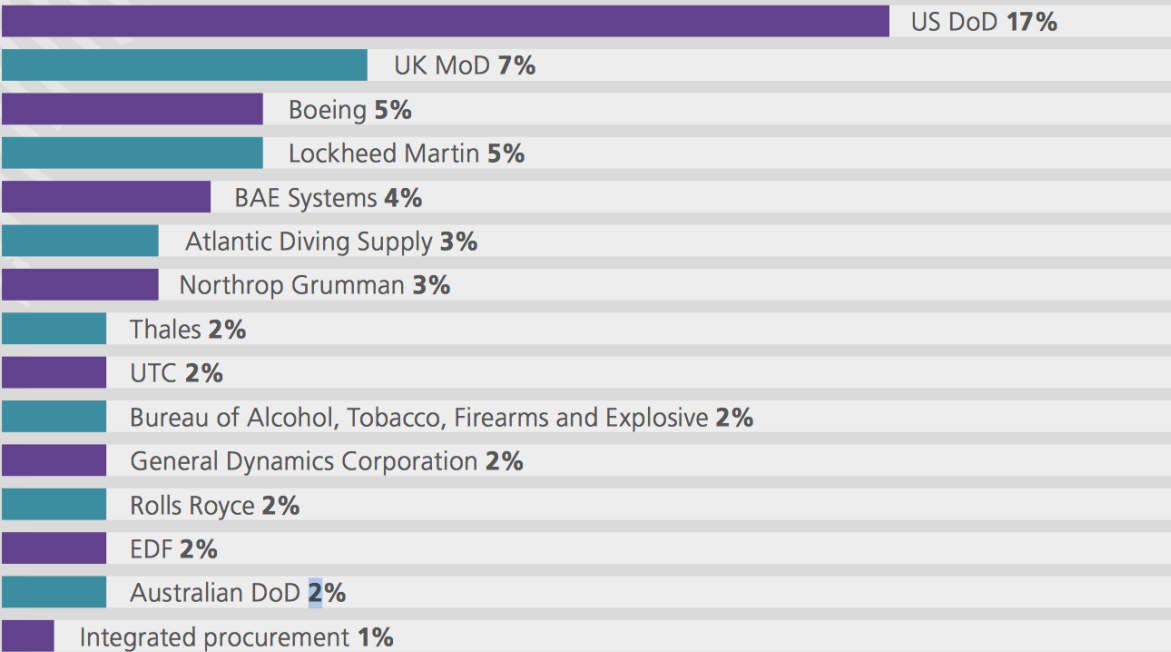
Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
1
Comments
<p>The company publishes a percentage breakdown of its sales by customer, comprising 57% of its sales. There is also evidence that the data is correct up to the most recently reported financial year.</p> <p>However, the company receives a score of '1' because it does not publish information on its customers to account for at least 80% of its sales. It is also not clear whether these figures represent defence sales or overall company sales including from commercial products.</p>
Evidence
<p>[14] Annual Report 2019 (Document) Accessed 15/05/2020 https://www.ultra.group/media/1203/ultra-ar-2019.pdf [p.0]</p>  <p>[5] Annual Report and Accounts 2018 (Document) Accessed 10/06/2019 https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf [p. 0 "Overview"]</p> <p>The Group operates mainly, but not solely, in defence and other highly regulated markets and is focused on providing mission-specific, bespoke solutions and capability.</p>

OUR CUSTOMERS

Our market position, together with Ultra's independence, allows the Group to work closely with the world's prime contractors. Ultra's major customers

include Tier 1 primes such as Boeing and Lockheed Martin as well as international government procurement offices.

TOP CUSTOMERS



[11] What we do (Webpage)

Accessed 10/06/2019

<https://www.ultra-electronics.com/about-us/what-we-do>

% of Group revenue by market



Defence (Air)	21%
Defence (Naval & Army)	48%
C3 & Cyber	14%
Transport & Energy	17%

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	Corporate responsibility	04/06/2019	https://www.ultra-electronics.com/about-us/corporate-responsibility
02	Webpage	Code of Ethics and Business Conduct	04/06/2019	https://www.ultra-electronics.com/about-us/corporate-responsibility/ethical-business-conduct
03	Document	Anti-Corruption and Bribery Policy	04/06/2019	https://www.ultra-electronics.com/uploads/compliance/anti-corruption-and-bribery-policy.pdf
04	Document	Terms of Reference of the Audit Committee	04/06/2019	https://www.ultra.group/media/1148/terms-of-reference-audit-committee.pdf
05	Document	Annual Report and Accounts 2018	04/06/2019	https://www.ultra-electronics.com/uploads/investor-centre/31032_01_ultra_electronics_ar18-low.pdf
06	Document	Ultra's Policy Statement on Ethics and Business Conduct	04/06/2019	https://www.ultra-electronics.com/uploads/business-documents/ethics_within_ultra_aug_18_v2.pdf
07	Webpage	Corporate governance	04/06/2019	https://www.ultra-electronics.com/about-us/corporate-governance
08	Document	Gifts and Corporate Hospitality Policy	04/06/2019	https://www.ultra-electronics.com/uploads/compliance/Gifts-and-Corporate-Hospitality-Policy.pdf
09	Webpage	Key Shareholders	04/06/2019	https://www.ultra-electronics.com/investor-centre/key-shareholders
10	Webpage	Open Ownership	04/06/2019	https://register.openownership.org/entities/59b92cf767e4ebf3401f7c25
11	Webpage	What we do	04/06/2019	https://www.ultra-electronics.com/about-us/what-we-do
12	Webpage	EthicsPoint	03/03/2020	https://secure.ethicspoint.com/domain/media/en/gui/25388/index.html
13	Webpage	Financial Times Markets Data	05/03/2020	https://markets.ft.com/data/equities/tearsheet/summary?s=ULE:LSE
14	Document	Annual Report 2019	15/05/2020	https://www.ultra.group/media/1203/ultra-ar-2019.pdf
15	Webpage	Policy Summaries	15/05/2020	https://www.ultra.group/about-us/corporate-responsibility/policy-summaries/#tab-groupoffsetpolicy