

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

FINAL ASSESSMENT

ZASTAVA ARMS

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	0/8
2. Internal Controls	6	0/12
3. Support to Employees	7	0/14
4. Conflict of Interest	4	0/8
5. Customer Engagement	7	0/14
6. Supply Chain Management	5	0/10
7. Agents, Intermediaries and Joint Ventures	10	0/20
8. Offsets	4	0/8
9. High Risk Markets	4	1/8
10. State-Owned Enterprises	5	1/10
TOTAL		2 / 112
BAND		F

*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
0
Comments
There is no evidence that the company makes a commitment to ethical or anti-bribery and corruption standards.
Evidence
No evidence found.

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
0
Comments
There is no publicly available evidence that the company publishes an anti-bribery and corruption policy.
Evidence
No evidence found.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
0
Comments
There is no evidence that the company has an anti-bribery and corruption programme, nor that a designated board committee or individual board member is responsible for its oversight.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company has an anti-bribery and corruption programme, nor that a specific managerial-level employee has ultimate responsibility for implementing and managing it.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company has an anti-bribery and corruption programme, nor that the company has a formal risk assessment procedure which is used to inform it.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company has an anti-bribery and corruption programme which is subject to regular audit or review.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company has a publicly stated system for tracking, investigating and responding to bribery and corruption allegations, incidents or whistleblowing reports.
Evidence
No evidence found.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
0
Comments
There is no evidence that the company assures itself of the quality of its internal investigations.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company has an investigative procedure which includes a commitment to report material findings to the board and, if necessary, the relevant authorities.
Evidence
No evidence found.

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
0
Comments
There is no evidence that the company publishes any data on ethical or bribery and corruption investigations or disciplinary actions involving its employees.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company provides anti-bribery and corruption training to all employees.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company tailors its anti-bribery and corruption training to employees based on an assessment of their role and exposure to corruption risk.
Evidence
No evidence found.

Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
0
Comments
There is no evidence that the company measures and reviews the efficacy of its anti-bribery and corruption training programme.
Evidence
No evidence found.

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
There is no evidence that the company has an incentive scheme for its employees that incorporates ethical or anti-bribery and corruption principles.
Evidence
No evidence found.

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
There is no evidence that the company commits to support or protect employees who refuse to act unethically.
Evidence
No evidence found.

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
0
Comments
There is no evidence that the company has a publicly available policy of non-retaliation against whistleblowers or employees who report bribery and corruption incidents.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company provides whistleblowing or advice channels for its employees.
Evidence
No evidence found.

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
0
Comments
There is no publicly available evidence that the company has a policy on conflict of interest.
Evidence
No evidence found.

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
There is no evidence that the company has procedures to manage or oversee conflicts of interest.
Evidence
No evidence found.

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 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 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
There is no publicly available evidence that the company has a policy on corporate political contributions.
Evidence
No evidence found.

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
There is no evidence that the company discloses details of its political contributions.
Evidence
No evidence found.

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
There is no evidence that the company has a policy or procedure covering both charitable donations and sponsorships.
Evidence
No evidence found.

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 evidence that the company has a policy and/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 provides any details about its global 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
0
Comments
There is no publicly available evidence that the company has a policy or procedure on gifts or hospitality.
Evidence
No evidence found.

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
There is no evidence that the company requires the involvement of its procurement department in the establishment and/or oversight of its supplier base.
Evidence
No evidence found.

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
0
Comments
There is no evidence that the company conducts anti-bribery and corruption due diligence on its supply chain.
Evidence
No evidence found.

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
There is no evidence that the company ensures that its suppliers have anti-bribery and corruption policies in place that meet a high standard.
Evidence
No evidence found.

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 evidence that the company has an anti-bribery and corruption programme, nor that it takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required throughout the supply chain.
Evidence
No evidence found.

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 investigations relating to its suppliers, or the associated disciplinary actions.
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
0
Comments
There is no publicly available evidence that the company has a clear policy covering the use of agents.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company conducts anti-bribery and corruption due diligence on its agents or intermediaries.
Evidence
No evidence found.

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 evidence that the company aims to establish the beneficial ownership of its agents.
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
There is no evidence that the company includes anti-bribery and corruption clauses in its contracts with agents and intermediaries.
Evidence
No evidence found.

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 evidence that the company considers 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 behalf of the company.
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 the associated 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
0
Comments
There is no evidence that the company conducts anti-bribery and corruption due diligence on its joint ventures.
Evidence
No evidence found.

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture partnerships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
0
Comments
There is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures. There is also no evidence that the company requires anti-bribery and corruption clauses in its contracts with joint venture partners.
Evidence
No evidence found.

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 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
0
Comments
There is no evidence that the company addresses the corruption risks associated with offset contracting, and there is no evidence that a dedicated body, department or team is responsible for monitoring of the company's offset activities.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company conducts anti-bribery and corruption due diligence on its offset obligations.
Evidence
No evidence found.

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 the company's 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/or 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
0
Comments
There is no publicly available evidence that the company acknowledges the corruption risks of operating in different markets, or that risk assessment procedures are used to inform the company's operations in high risk markets.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company publishes a list of subsidiaries or affiliated entities.
Evidence
No evidence found.

Question
9.3 Does the company disclose its beneficial ownership and control structure?
Score
1
Comments
<p>There is some evidence that the company is owned, at least partially, by the government of Serbia. However, the company receives a score of '1' because it does not provide further details to clarify its beneficial ownership or control structure, nor does it disclose information to indicate whether any individual owns 25% or more of shares or voting rights. Based on publicly available evidence, it is not clear that the government of Serbia is the company's sole beneficial owner.</p>
Evidence
<p>[1] Profile (Webpage) Accessed 19/03/2020 https://www.zastava-arms.rs/en/profile/ By decisions of the Ministry of Defense of the Government of the Republic of Serbia, Zastava Arms became a part of Defense Industry of Serbia in 2003. There were important dates for Zastava Arms in 2005 : March 10 – the Government of the Republic of Serbia rendered decision on support to the restructuring of the company; August 30 – from this date, Zastava Arms is on the United Nations list of proven suppliers with arms and military equipment. The support that the factory receives from the State of Serbia is very much important for its business.</p>

Question
9.4 Does the company publish a percentage breakdown of its defence sales by customer?
Score
0
Comments
There is no evidence that the company publishes a percentage breakdown of its defence sales by customer. The company publishes some information on its major partners but there is no evidence that this list is complete.
Evidence
<p>[1] Profile (Webpage) Accessed 19/03/2020 https://www.zastava-arms.rs/en/profile/ Zastava Arms developed a wide range of products that are exported to over 40 countries in the world. It is 95% autonomous in production (only 5% are imported resources).</p> <p>[...]</p> <p>For many years, Zastava Arms participates in most of domestic fairs of hunting and sporting guns, as well as in most important world fairs Shot Show – USA and IWA – Germany. Export makes 95% of the product placement of Zastava Arms. Zastava Arms has many partners in the country and in the world. The partners of Zastava Arms in the country are: Yugoimport SDPR, Army and Police of Serbia, and in the world, the most important are: Zastava arms USA, USA; International Golden Group, UAE...</p>

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
0
Comments
There is no evidence that the company publishes details of its shareholder voting rights. Although there is some evidence that the company is at least partially owned by the government of Serbia, it is not clear whether other entities may hold shares or voting rights in the company.
Evidence
No evidence found.

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
1
Comments
<p>The company publishes some information on its objectives, stating that its primary mission is to maintain a leading position in the market. However, the company receives a score of '1' because these objectives are unclear and there is no evidence that they are comprehensive or updated on an annual basis.</p>
Evidence
<p>[1] Profile (Webpage) Accessed 19/03/2020 https://www.zastava-arms.rs/en/profile/ The mission of the company is: maintain leading position in production of guns and cherishing of tradition, highly professional staff, whose education Zastava Arms sees as investment into the future, continuous endeavour to increase the level of quality, implement modern scientific achievements into technology processes that make a business system, maintaining and strengthening of trust of buyers and partners, expanding of distributor network and the network of authorized service shops.</p> <p>[2] Quality (Webpage) Accessed 19/03/2020 https://www.zastava-arms.rs/en/quality/ The following is important:</p> <ul style="list-style-type: none"> - To have information on the demands of users, market movement and competition, to have feedback on the satisfaction of the users, to actively develop partnership with the users, find out the demands of the customers and encourage innovative activities, – To manage out key processes through the owner of the processes, to timely provide our products and services, develop cooperation with our suppliers, develop new products and fulfil demands and expectations of the users and wider social community in that way, to constantly develop quality management system and provide a product according to the demands of the users and with sustainable development and – To constantly realize processes of permanent improvement in all fields of operation. All expenses created in this process are quality expenses. Nevertheless, we are responsible to exclude or minimize all unnecessary expenses created by unnecessary labour, reject, expensive input products, excessive stocks, breakdowns and stoppages. This gives us competitiveness, competitiveness keeps us in the market, enables growth and development of the enterprise. That is why the quality management system represents the main tool of management that wishes to realize business success of an organization in a modern way. We provide quicker business cycles, make them measurable and controlled through quality management system and information technologies system. Use of quality standard is an integral part of business philosophy “quality means that you work well even when nobody is looking”. <p>Representative for Quality</p> <p>[3] About Us (Webpage) Accessed 19/03/2020 https://www.zastava-arms.rs/en/about-us/ As we use CATIA software to design our products, we can quickly respond to the demands of the market. Strategic decision of Zastava Arms is a good position of our products in global world market and cooperation with arms manufacturers in the world. Today, Zastava Arms exports hunting and sporting weapons to over thirty countries in the world. By applying Quality Management System (QMS) Zastava Arms constantly endeavors to improve the quality of products and all processes. Permanent investment in education of staff and purchase of state-of-the-art computer equipment and technology results in placement of new products that follow trends in the world market. With systematic, skilled and creative work, based on tradition of 160 years, Zastava Arms tends to keep the trust of the users of its products and services. Content of the buyers is the measure of success of Zastava Arms.</p>

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
0
Comments
There is no evidence that the company makes information about its board members publicly available.
Evidence
No evidence found.

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
0
Comments
There is no publicly available evidence that the company has an audit committee.
Evidence
No evidence found.

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
0
Comments
There is no evidence that the company publishes details about its management of asset transactions.
Evidence
No evidence found.

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Webpage	Profile	19/03/2020	https://www.zastava-arms.rs/en/profile/
02	Webpage	Quality	19/03/2020	https://www.zastava-arms.rs/en/quality/
03	Webpage	About Us	19/03/2020	https://www.zastava-arms.rs/en/about-us/