

# **DEFENCE COMPANIES INDEX ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020**



**Questionnaire and Model Answers**

**Transparency International (TI) is the world's leading non-governmental anti-corruption organisation, addressing corruption and corruption risk in its many forms through a network of more than 100 national chapters worldwide.**

**Transparency International Defence and Security (TI-DS) works to reduce corruption in defence and security worldwide.**

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## Questionnaire and Model Answers

Transparency International Defence and Security (TI DS) has identified 10 key areas where increased commitment to anti-corruption and transparency of information could reduce corruption risks in the defence industry. These risk areas form the main structure of the Questionnaire and Model Answer (QMA) document.

1. Leadership and Organisational Culture	1
2. Internal Controls	6
3. Support to Employees	14
4. Conflict of Interest	23
5. Customer Engagement	28
6. Supply Chain Management	37
7. Agents, Intermediaries and Joint Ventures	43
8. Offsets	54
9. High Risk Markets	59
10. State-Owned Enterprises (SOEs)	64
Appendix I: Definitions	70

## Selection criteria:

The 2020 edition of the DCI will assess 134 defence companies across 38 countries. Companies have been selected based on the following criteria:

- The company features in the 2016 edition of SIPRI's Top 100 Arms-Producing and Military Services Companies;
- The company features in the 2017 edition of Defense News Top 100 defence companies; and/or
- The company is the largest national defence company headquartered in a country exporting at least £10 million in defence, as identified by SIPRI.

## Scoring guidance:

2	Full points; i.e. the company's publicly available information meets the expectation of the question fully and there is evidence to substantiate this expectation.
1	Half points; i.e. the company's publicly available information meets some of the expected standards, but the evidence to support this is either lacking or falls short of the good practice expectation outlined in score '2'.
0	No points; i.e. the company's does not provide publicly available information to demonstrate that it meets the required standards of the question, or the evidence provided is sufficiently unclear that it cannot meet the expectation of score '1'.
N/A	Not applicable; i.e. the company is exempt from scoring on this question because the subject is not relevant or applicable to its nature or context.

# **1. LEADERSHIP AND ORGANISATIONAL CULTURE**

## 1.1 Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?

### Guidance:

This question is looking for evidence of an anti-bribery and corruption commitment that is embedded within the company's values and is both endorsed and reinforced by the company's leadership. Tone from the top is critical to the success of the anti-bribery and corruption programme. If board members and senior management do not provide strong, visible and continuing support to countering bribery and corruption, then even the best designed anti-bribery and corruption programme will falter. For the purpose of this question, "company leadership" means the Chair or President, members of the board, the CEO and senior executives at c-suite level or equivalent.

The assessor is looking for evidence of a clear and publicly stated commitment to implement the company's anti-bribery and corruption programme and promote this commitment to stakeholders. It must be clear that this message is embedded in the company's values, and that bribery and corruption will not be tolerated in any form within the organisation. The assessor is also looking for evidence that this commitment is authorised, supported and actively endorsed by the company's leadership. This could take several forms, such as a statement on the company's website signed by a member of the company leadership or the transcript of a speech delivered by such a member at an internal workshop or event.

It is insufficient simply to state that the company and its employees will abide by anti-bribery laws. A commitment to 'integrity', 'high ethical standards' or equivalent statement may qualify for a score of '1' but only when accompanied by direct support from the company leadership and when published alongside evidence that relates directly to company's anti-bribery and corruption policy. An example of this would be a quote from the company CEO specifying the company's commitment to 'high ethical standards' published at the beginning of an Anti-Corruption Policy document.

### Scoring Criteria:

2	<p>The company publishes a clear statement on its anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. There is evidence that this commitment was authorised and endorsed by the company's leadership; for example the Chairman, President or CEO.</p>
1	<p>The company publishes a clear statement on its anti-bribery and corruption commitment, however it is lacking in one of the following ways:</p> <ul style="list-style-type: none"> <li>• The company publishes a statement on its anti-bribery and corruption commitment, however there is evidence that this statement is authorised and endorsed by a relevant senior figure other than the company leadership. This could include, for example, a statement from a relevant senior vice president or compliance manager; or,</li> <li>• The company publishes a statement on its anti-bribery and corruption commitment and there is evidence that this commitment is authorised and endorsed by the company's leadership; however this statement is indirect or unclear in some way. This could include, for example, a general commitment to comply with anti-bribery laws or a mention of anti-corruption as part of a list of company values that is authorised and endorsed by the Chairman or CEO.</li> </ul>
0	<p>There is no evidence that the company publishes a commitment to ethical or anti-bribery and corruption standards. Or:</p> <ul style="list-style-type: none"> <li>• The company publishes a statement on its anti-bribery and corruption commitment but there is no evidence that this statement is authorised or endorsed by the company's leadership or another relevant senior figure;</li> <li>• The company publishes a general commitment to 'integrity', 'high ethical standards' or equivalent, but there is no evidence that this statement is authorised or endorsed by a senior leadership figure;</li> <li>• The company publishes a general commitment to comply with anti-bribery laws but there is no evidence that this statement is authorised or endorsed by the company's leadership or a relevant senior figure.</li> </ul>

## 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.**

### Guidance:

This question is looking for evidence that the company has a formal and publicly stated commitment to combat bribery and corruption, demonstrated through a clear policy, an 'anti-bribery and corruption programme' or similar set of principles. Such a commitment should explicitly address and prohibit bribery, payments to public officials, commercial bribery and facilitation payments. Where there are genuine threats to life, limb or liberty, demands for small bribes or equivalent facilitation payments may be met; however, companies should generally prohibit such payments and stipulate procedures in place for emergency guidance.

The assessor is looking for evidence that the company's policy clearly applies to anyone and everyone acting on behalf of the company, including all employees, board members and employees of controlled subsidiaries. This could appear in the form of a dedicated anti-bribery and corruption policy document or section of a website, or as part of a Code of Conduct or similar compliance-related document. For the purpose of this assessment, the terms directors, board of directors, the board and supervisory board should all be considered equivalent. Directors and employees at all levels should be explicitly referenced as included under this policy, since many do not have employee status; for example, independent or non-executive directors.

### Scoring Criteria:

2	The company publishes a clear anti-bribery and corruption policy, which specifically defines and prohibits bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members as described in (a) and (b) in the question.
1	The company publishes an anti-bribery and corruption policy. However, it is lacking in some way, for example: <ul style="list-style-type: none"><li>• The company's policy does not extend beyond a general commitment to comply with anti-bribery laws;</li><li>• The company states that it has an anti-bribery and corruption policy, but does not define or specify that it prohibits bribery, payments to public officials, commercial bribery, and/or facilitation payments;</li><li>• The company's policy does not apply to all groups as specified in (a) and (b) in the question.</li></ul>
0	There is no evidence that the company publishes an anti-bribery and corruption policy, or the information published is insufficiently detailed to be considered a formal policy or programme; for example, the company publishes a general set of prohibited behaviours. Alternatively, the company publishes a policy but it does not explicitly apply to at least (a) all employees.

## 1.3 Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?

### Guidance:

This question is looking for evidence that oversight of and accountability for the company's anti-bribery and corruption programme is ultimately held at board level. The role of the board is critical to maintaining an effective anti-bribery and corruption programme. This includes setting the company's commitment and tone from the top, deciding on a resource approach and assigning adequate resources to the programme. Oversight can be provided directly by the board or delegated to a board committee. In the case of two-tier boards, oversight and accountability for the anti-bribery programme should rest with the supervisory board.

The board should provide oversight of the implementation of the anti-bribery programme, ensuring that it receives regular reports from management and reviews any negative feedback or updates in procedures. The board should also ensure that the results of internal and external audits are reviewed and implemented in practice, where necessary.

### Scoring Criteria:

<b>2</b>	There is evidence that the board or a designated board committee (such as an ethics or risk committee) is ultimately responsible for the oversight of the company's anti-bribery and corruption programme. This includes reviewing reports from management on the programme's performance, including for example the results of internal and external audits, and there is evidence that the board or designated board committee has the authority to require that changes to the programme are made.
<b>1</b>	There is evidence that the board or a designated board committee oversees the company's anti-bribery and corruption programme. However, there is no evidence to suggest that it engages in formal oversight functions, such as reviewing reports from management on, for example, the results of internal and external audits, or that it has the authority to require that changes to the programme are made.
<b>0</b>	There is no evidence that the company has a designated board committee or individual board member responsible for oversight of its anti-bribery and corruption programme.

## 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?

### Guidance:

This question is looking for evidence that ultimate responsibility for implementing and managing the anti-bribery and corruption programme is assigned to a designated senior executive. While the previous question examines the oversight mechanism of the programme, this question focuses on the location of responsibility for its implementation and operations. A senior executive should have a direct reporting line to the board or board committee; in other words, they report on the state of the company's anti-bribery and corruption programme directly to the CEO and board, and not via an intermediate manager.

In most companies, the Chief Compliance Officer (CCO) or equivalent should have responsibility for leading the design and implementation of all aspects of the anti-bribery programme. This senior executive's responsibilities may include the design and provision of anti-bribery communications and training, though this may be led by the communications and human resources functions for general communications and training of which the anti-bribery messages will only be part.

Best practice is for the CCO, or other designated senior executive, to report directly into the board or a board committee such as an integrity, audit, risk or compliance committee. This person should make regular written reports and presentations to the board..

### Scoring Criteria:

2	There is evidence that a designated senior executive 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 board or designated board committee that provides 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; for example, attendance or participation at board-level committee meetings.
1	There is evidence that a designated managerial-level individual has been assigned ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme, but they are not a senior executive and/or there is no evidence that this individual has a direct reporting line to the board or board committee that provides oversight of the anti-bribery and corruption programme.
0	There is no evidence that a designated senior executive or managerial-level employee has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme.



## **2. INTERNAL CONTROLS**

## 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?

### Guidance:

All companies face bribery and corruption risks, but prevalence and magnitude of risks can vary. The business products, services and markets may change; it may make acquisitions or mergers and thereby gain new employees or business partners. The external environment evolves too, with new regulations and laws, societal changes, emerging risks and ever-advancing new technology. A company's risk assessment should therefore be reviewed to ensure that the risk assessment of the anti-bribery and corruption programme remains relevant and updated according to the key risks facing the company.

A company needs to identify and assess the risks it is facing in order to develop a suitable anti-corruption programme, appropriate policies controls, and direct its resources.

This question is looking for evidence that such a procedure for conducting a bribery and corruption risk assessment is in place and that the risk profile is used to inform the design of the anti-corruption and bribery programme. A corruption risk assessment system could include determining the risks associated with internal procedures, as well as risks associated with operating in different geographies, business areas, and transactions.

The assessor is also looking for evidence that the company uses the results of such assessments to mitigate the risks identified, with clear ownership and timelines. The results of risk assessments should be applied to a review of the company's anti-bribery and corruption programme in order to assess the extent to which existing controls need modification or enhancement..

### Scoring Criteria:

<b>2</b>	<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure in place that informs the design of its anti-bribery and corruption programme. The results of risk assessments are reviewed by the board on at least an annual basis, or when the results of the risk assessments reveal significant findings. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.</p>
<b>1</b>	<p>There is evidence that the company has a formal bribery and corruption risk assessment procedure in place that informs the design of the anti-corruption and bribery programme, but this is lacking in one or more of the following ways:</p> <ul style="list-style-type: none"> <li>• There is no evidence that risk assessments are reviewed on at least an annual basis;</li> <li>• There is no evidence that the results are reviewed at board level; or</li> <li>• There is no evidence that the results of risk assessments are used to develop tailored mitigation plans or to update the company's anti-bribery and corruption programme.</li> </ul>
<b>0</b>	<p>There is no evidence that the company has a formal risk assessment procedure in place that informs the company's anti-bribery and corruption programme. This can mean that either there is no evidence that the company conducts risk assessments, or there is no evidence that the anti-bribery and corruption programme is designed and adapted based on an assessment of bribery or corruption risk.</p>

## 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?

### Guidance:

Audits are an important anti-corruption tool by which companies are able to detect and deter corrupt business practices. Conducting internal audits, whether through a dedicated committee or as part of a broader audit programme, is essential for ensuring oversight of the company’s anti-bribery and corruption programme. The results of audits provide assurance that the company’s anti-corruption mechanisms are functioning as they should be and can help to identify any gaps or inconsistencies within that process.

This question is looking for evidence that the design and effectiveness of the company’s anti-bribery and corruption programme is subject to frequent audit (ideally on at least an annual basis) whether by the internal audit function or an external auditor, and improvements are made where weaknesses are identified. This can be part of a larger or dedicated audit, and the programme can be audited in its entirety either all at the same time or in stages.

### Scoring Criteria:

2	<p>There is evidence that the company’s anti-bribery and corruption programme is subject to a regular audit process (or equivalent wording, for example, “assurance”) to ensure the entire programme is consistent with best practice and the business risks facing the company. This includes provisions for continuous improvement, supplemented by an internal or external audit at least every two years. There is also evidence that high-level audit findings are presented to the board, with clear ownership assigned to units and/or individuals for planned updates and improvements to the anti-bribery and corruption programme.</p>
1	<p>There is evidence that the company’s anti-bribery and corruption programme is subject to regular audit or review, but this information is unclear or lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is evidence that the company has a process to conduct audits every two years but it is not clear this covers the entire programme to ensure that it is consistent with high standards of best practice and the business risks facing the company;</li> <li>• There is evidence that the company has a process to conduct audits every two years but it is not clear that this covers the whole programme (whether all at once or in stages); or</li> <li>• There is no evidence that audit findings are presented to the board, or ownership of the process is unclear.</li> </ul>
0	<p>There is no evidence that the company’s anti-bribery and corruption programme is subject to audit or review, or there is evidence that the company conducts such reviews but the information is insufficiently clear to satisfy the requirements for score ‘1’. For example, it is not clear how frequently audits or reviews are conducted or whether the findings are used to update the company’s anti-bribery and corruption programme.</p>

## 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?

### Guidance:

This question is looking for evidence that the company has a clear and formal incident response procedure for investigating and responding to allegations, concerns and incidents of bribery, corruption, and fraud.

Planning for allegation and incident management is a key component of a best practice anti-bribery and corruption programme. While each investigation should be tailored to the specific report or incident, a general procedure should be in place which ensures considerations of confidentiality, appropriate resourcing and seniority of decision making, documentation, independence of staff conducting investigations, involvement of legal counsel and appropriate relationship with authorities. An appropriate level of independence is essential to ensure the integrity of the company's investigations; in this context, an independent team is one that either reports directly to an independent board member or committee rather than functionally into, whether directly or indirectly, the chain of management involved in the subject matter under investigation. For example, this could be done through the establishment of a dedicated investigations team, the employment of external investigators, or an integrated function with appropriate reporting lines, responsibility and oversight.

These systems are particularly important in the case of whistleblowing reports. Any cases or concerns raised need to be recorded and tracked from initial report until the final decision and outcome, paying attention to timeliness of steps taken and appropriate review of each case. Whistleblowers should be informed of the outcome of their cases if they so requested. Information regarding whistleblowing cases should be stored centrally by the holding or parent company, including information on the nature of the alleged offence, geographic location, evidence acquired, decisions taken and final outcome.

A relevant senior central body should receive summary information to monitor the effectiveness of the system and review patterns, lessons learned and to identify emerging risks. In some cases it may be sufficient for a relevant senior individual to receive and review summary information about investigations and their status within the organisation, so long as it is clear that this individual is responsible for the process and for monitoring the effectiveness of the system on a regular basis.

Scoring Criteria:

<p>2</p>	<p>There is evidence that the company commits to investigating incidents promptly, independently and objectively. There is evidence that the company takes steps to ensure the independence of its investigations. The company commits to put in place remediation plans and to report investigative findings to senior management and the board. For whistleblowing cases, there is evidence that the company has a procedure in place that stipulates documentation and actions to be taken at every step, from receipt to final outcome, and the company commits to ensure whistleblowers are informed of the outcome, if they so wish. A senior central body of the holding or parent company receives and reviews summary information of all incidents and their status in the organisation and its subsidiaries, on a regular or at least annual basis.</p>
<p>1</p>	<p>There is evidence that the company commits to investigating incidents, and there is a specific procedure in place to deal with whistleblowing cases, which stipulates documentation and actions to be taken at each step. However, this procedure is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>• There is no evidence or it is unclear that the company takes steps to ensure the independence of its investigations, for example by stipulating that investigations are handled by an independent team and/or report to an independent board member;</li> <li>• There is no evidence of a commitment to inform whistleblowers of the outcome of investigations, if they so wish;</li> <li>• The information provided does not cover the whole investigation process from receipt to final outcome;</li> <li>• There is no evidence that the information on each investigation is documented; or</li> <li>• There is no evidence that a central body reviews information on cases or the central body reviews the status of investigations less frequently than an annual basis.</li> </ul>
<p>0</p>	<p>There is no evidence that the company has a publicly-stated procedure for dealing with bribery and corruption allegations, incidents or whistleblowing reports. Or, the information provided is insufficiently detailed to satisfy the scoring criteria for '1'; for example, it is not clear whether the company has procedures for whistleblowing cases or there is clear evidence that the procedures described do not apply to whistleblowing cases.</p>

## 2.4 Does the company have appropriate arrangements in place to ensure the quality of investigations?

### Guidance:

This question is looking for evidence that the company assures itself of the quality of internal investigations. Without appropriate systems in place investigations can be inadvertently dropped or inadequately conducted. As a minimum, persons tasked with conducting internal investigations should be trained to handle and properly deal with reports and cases. Relevant senior officers should monitor the quality of the company's investigations and the investigation system at least once a year, using clearly defined processes and criteria. All complaints about the handling of investigations should be overseen by an appropriate senior management officer, such as a head of internal investigations, head of audit, or legal counsel.

### Scoring Criteria:

2	<p>There is evidence that the company assures itself of the quality of its internal investigations, including those reported through whistleblowing channels. The company explicitly states that staff tasked with conducting investigations are properly qualified and/or trained to perform the function. Any complaints about the handling of concerns and investigations are overseen by an appropriate senior management officer and a procedure is in place to handle the escalation of complaints. There is evidence that the investigations procedure is subject to review at least every three years, or in response to any relevant changes in the regulatory environment.</p>
1	<p>There is evidence that the company assures itself of the quality of its internal investigations. However, this assurance process is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>• There is no evidence that the company assures itself of the quality of both incident investigations and whistleblowing cases;</li> <li>• It is unclear or there is no evidence that staff conducting investigations are properly trained/qualified;</li> <li>• There is no mention of how complaints about the investigation process are handled;</li> <li>• It is unclear who is responsible for handling such complaints and/or that person is not of an appropriately senior level or function within the company;</li> <li>• There is no evidence that the company reviews its investigations procedure at least every three years or in response to any changes in the regulatory environment.</li> </ul>
0	<p>There is no evidence that the company publishes a commitment to ethical or anti-bribery and corruption standards. Or:</p> <ul style="list-style-type: none"> <li>• The company publishes a statement on its anti-bribery and corruption commitment but there is no evidence that this statement is authorised or endorsed by the company's leadership or another relevant senior figure;</li> <li>• The company publishes a general commitment to 'integrity', 'high ethical standards' or equivalent, but there is no evidence that this statement is authorised or endorsed by a senior leadership figure;</li> <li>• The company publishes a general commitment to comply with anti-bribery laws but there is no evidence that this statement is authorised or endorsed by the company's leadership or a relevant senior figure.</li> </ul>

## 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?

### Guidance:

This question is assessing whether investigative findings are being evaluated and dealt with at the appropriate level and by the appropriate body. An appropriate senior individual in this case could, for example, be a c-suite executive such as a Chief Compliance Officer, the head of internal investigations, or general counsel. Although a specific individual does not necessarily need to be named in order to score full marks on this question, it must be clear that the responsibility is linked to a particular job role within the company. The company's investigative process should ensure that findings of incidents which are in breach of laws and regulations are evaluated and necessary follow-up steps are taken to report such findings to relevant authorities within an appropriate timeframe.

To gain full marks on this question, it must be clear that the company's commitment relates to bribery and corruption incidents and allegations, either as a standalone statement or as an explicit part of a broader ethics and compliance commitment.

### Scoring Criteria:

2	There is clear evidence that the company commits to report material findings of bribery and corruption from investigations to the board. An appropriate senior individual is ultimately responsible for ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon, if necessary.
1	There is evidence that the company commits to report material findings of bribery and corruption from investigations to the board; 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. Or, there is evidence that the company has an appropriate senior individual who is responsible for ensuring the disclosure of criminal offences to the relevant authorities is evaluated and acted upon if necessary, but there is no evidence that the company commits to report material findings to the board.
0	There is no evidence that the company has an investigative procedure which includes a commitment to report material findings to the board or any other relevant external entity.

## 2.6 Does the company publish high-level results from incident investigations and disciplinary actions against its employees?

### Guidance:

This question is looking for evidence that the company collects and publishes data on bribery and corruption inquiries and investigations involving company employees at all levels, along with the results of such investigations in the form of disciplinary actions. According to best practice, companies should publish data relating to any ethics or compliance-related issues; however, companies are encouraged to disaggregate the data to show anti-bribery and corruption-related incidents where possible. Such reporting provides evidence of the company's active monitoring of key data and is an indicator of a well-functioning anti-bribery and corruption programme.

This question relates specifically to investigations involving individuals employed directly by the company. This data should be disaggregated from investigations against other types of personnel, such as agents and suppliers. This information should be limited to high-level data, in other words, the reports should be anonymised and summarised in a way that prevents individuals from being identified.

Publishing this information ensures that staff and shareholders are reassured that both concerns and incidents are recorded, followed up, and handled appropriately. Furthermore, publication provides an industry benchmark to help companies assess their programmes.

### Scoring Criteria:

2	<p>The company publishes high-level data from ethical or bribery and corruption-related incidents and investigations involving company employees at all levels. This includes at a minimum: the number of reports received, including the number received through whistleblowing channels, the number of investigations launched, and the number of disciplinary actions as a result of investigation findings. This data is published at a regular intervals and/or at least on an annual basis covering cases from the past 12 months.</p>
1	<p>The company publishes some high-level information on its ethical, bribery or corruption-related incidents and investigations involving company employees, however this data is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is no evidence to suggest that this ethics and compliance-related data would include details of bribery or corruption related incidents, investigations or disciplinary actions;</li> <li>• The information that the company publishes does not cover all of the specific measures described in score '2';</li> <li>• There is reason to believe that the information does not apply to employees at all levels, i.e. board members or other executives are exempted for some reason;</li> <li>• The data is not updated on at least an annual basis and/or does not cover the past 12 months.</li> </ul>
0	<p>There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or associated disciplinary actions involving its employees.</p>



## **3. SUPPORT TO EMPLOYEES**

### 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?

#### Guidance:

This question is looking for evidence that company's training on anti-bribery and corruption is either explicitly provided as a dedicated training programme or as a specific module that forms part of the company's larger compliance and ethics training programme.

Basic training on the anti-bribery and corruption programme should be given to all employees across all divisions and geographies, possibly as part of wider training on the company's code of conduct. Training should communicate the company's stance against bribery and corruption, as well as promote an understanding of what constitutes bribery, improper practices, and risks - in order to aid recognition of how bribery demands may take place – to prevent negligence or error. The training will aim to support the development of skills to avoid or resist demands or solicitation for bribery, and will also build confidence in and commitment to the integrity of the company. Essential information about whistleblowing will also be provided. The company ensures all employees receive the training in the appropriate languages across all of its locations and countries of operation, taking into account the particular characteristics and risks of the operating context.

Employee training is supported by ongoing refresher modules or courses, either on a regular basis or whenever the company's anti-bribery and corruption policies are significantly revised.

#### Scoring Criteria:

<b>2</b>	There is evidence that the company provides training – either as a standalone programme or embedded in other ethics and compliance courses – that outlines the principles of the anti-bribery and corruption policy, including the whistleblowing options available to employees. The company provides this training to all employees across all divisions and countries of operation, and in all appropriate languages. The company states that employees are required to undertake refresher courses or modules on the anti-bribery and corruption programme at least every three years.
<b>1</b>	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. However, the evidence suggests training is not provided to all employees across all divisions, all countries regions of operation or in all appropriate languages. Or, it is unclear how frequently employees are required to undertake or refresh their training on anti-bribery and corruption, or there is evidence that the company only provides this training on an ad hoc or infrequent basis.
<b>0</b>	There is no evidence that the company provides anti-bribery and corruption training to all employees. Or, the information provided is insufficiently detailed to satisfy the requirements of score '1'; for example, the company states that it provides training on compliance but it is not clear whether it specifically covers anti-bribery and corruption standards or the whistleblowing options available to employees.

### 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.

**Guidance:**

Tailored anti-bribery training should be given to those in high risk positions as identified in risk assessments. High-risk positions are those that are more likely to expose employees to potentially corrupt situations or to specific forms of corruption. Examples of high-risk positions might include those in marketing, government relations, contracting, in-country project management, sales, and more. A strong anti-bribery and corruption programme will also include provisions to provide tailored training to middle management, due to their role in conveying tone from the top, providing day-to-day advice, and their position as the first point of contact for employees when an issue arises. Board members should also receive additional training due to their essential role in setting the company’s ethical standards and promoting the tone from the top, combined with their decision-making role within the company.

This question is looking for evidence that the company assesses the specific training needs of different categories of employees and management, taking into account their role in the company, the levels of risk facing them and possible exposure to corruption. Based on an assessment of these risks, it provides them with tailored anti-bribery and corruption training. This training may be provided either as a dedicated training component or as a tailored module that forms part of the company’s broader ethics and compliance training programme, so long as it is clear that it applies to high risk employees.

**Scoring Criteria:**

<b>2</b>	There is evidence that the company provides tailored anti-bribery and corruption training to employees in different roles based on their exposure to corruption risk, with specific reference to at least the three categories of employee referred to in (a), (b) and (c) of the question. There is evidence that employees in high risk positions are required to undertake and refresh their training in this area on at least an annual basis.
<b>1</b>	There is evidence that the company provides tailored anti-bribery and corruption training to employees in different roles, but either these positions are unclear or the evidence does not make specific reference to all three categories of employee referred to in (a), (b) or (c) of the question. Or, there is no evidence that employees in high risk positions are required to undertake and refresh their training on at least an annual basis; for example by stating that training is provided ‘regularly’, less frequently than once a year, or by not stipulating a timeframe.
<b>0</b>	There is no evidence that the company provides tailored anti-bribery and corruption training to employees based on an assessment of their role and exposure to corruption risk.

### 3.3 Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?

#### Guidance:

This question is looking for evidence that the company regularly reviews and ensures the effectiveness of the training that it provides on its anti-bribery and corruption programme, whether stand-alone or part of the wider ethics and compliance programme which explicitly includes anti-bribery and corruption modules. The company should take steps to assure itself that its communications and training programmes are positively affecting the understanding and behaviour of staff regarding anti-bribery and corruption issues.

It is crucial for a company to measure the effectiveness of its communications and training in order to ascertain that the desired message and knowledge is received, and to have a basis for improvement of these activities. The first step is to document and keep track of implementation. To establish effectiveness, companies often use dedicated questions in staff surveys, however a variety of methods can also be employed including key performance indicators (KPIs) measuring effectiveness, the number of compliance-related inquiries received, scenario-testing interactions, audits, or face-to face conversations. It is insufficient to use only training completion rates as indicators of training and communications effectiveness.

The company's anti-bribery and corruption training programme or dedicated module should be monitored on a continual basis and reviewed when necessary, while the whole programme should be subject to formal review at least every three years. This can be done either as a dedicated review process or as part of a broader review of the company's communications and training on ethics and compliance issues. Responsibility for review of the anti-bribery and corruption programme will typically be given to an audit committee but may be assigned to other committees such as ethics, governance or corporate responsibility. The reviewing committee should consist of non-executive directors who are independent of any influence or conflict of interest. However, the board provides ultimate oversight.

#### Scoring Criteria:

2	<p>There is evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme (whether stand-alone or embedded). There is evidence that the company has a system to do this, for example through dedicated questions in staff surveys, KPIs measuring effectiveness, the number of compliance-related inquiries received, scenario-testing interactions, audits, or face-to face conversations. The company commits to assuring itself of this on a continuous basis or, if periodically, on at least an annual basis. There is evidence that the results of such reviews are then used to update specific parts of the company's anti-bribery and corruption communications and training programme, with a review of the programme taking place at least every three years.</p>
1	<p>There is some evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme. However, this is lacking in some way; for example:</p> <ul style="list-style-type: none"> <li>• The measures are too simplistic, for example, limited to the number of personnel trained or completion rates;</li> <li>• The company does not assure itself of this on at least an annual basis;</li> <li>• It is unclear or there is no evidence that results are used to update specific parts of the company's anti-bribery and corruption communications and training programme; or</li> <li>• It is unclear or there is no evidence that the company conducts a full review of its anti-bribery and corruption programme at least every three years.</li> </ul>
0	<p>There is no evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications or training programme, or the information provided is insufficiently detailed to satisfy the requirements of score '1'.</p>

### 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?

#### Guidance:

Employees are incentivised, assessed and recognised using a variety of measures, such as the achievement of key performance indicators or business objectives, or on less tangible measures of personal achievements assessed during the appraisal process. Scandals in many sectors have shown that misaligned incentive schemes have been one of the drivers of corrupt practices. For example, incentives with an emphasis on meeting financial targets have been shown to encourage corrupt behaviour such as fraud, misselling, falsification of records, manipulation of accounts, anti-competitive practices and bribery.

This question is looking for evidence that the company recognises the corruption risks inherent in employee incentive schemes, and that attempts to mitigate these risks support the company's anti-bribery and corruption commitments. The company's approach to employee incentives should therefore be based on:

- a. Rewarding employees who have demonstrated and contributed to ethical behaviour in line with the company's anti-bribery and corruption policy and values, based on their performance in appraisals.
- b. Not encouraging unethical behaviour by ensuring that targets are realistically achievable and prohibiting the payment of sales incentives to employees, particularly those in high risk positions.

A robust incentive scheme that promotes behaviour in line with the company's ethical values will also include a consideration of the type of incentives that might be awarded to employees. Non-financial rewards such as more flexible hours, development opportunities, and recognition within the workplace can reinforce ethical behaviour as part of a company's incentive scheme, in a way that monetary incentives alone may not. Promotions can also be effective as a mixed reward, combining greater responsibility with increased financial compensation.

Although this policy should apply to all employees, the company must acknowledge that some roles are subject to higher risk than others. High risk positions in this question refer specifically to those employed in sales and business development, PR and government relations. It is not sufficient to only provide information on incentive schemes for CEOs and other senior executives.

The assessor is looking for evidence that the company's approach to employee incentives incorporates a consideration of 'how' targets are achieved, as well as appropriate use of targets. A clear description of the principles on which the company's incentives are based is sufficient to score full marks on this question.

Scoring Criteria:

2	<p>There is evidence that the company's incentive schemes for employees are designed in such a way that they simultaneously promote ethical behaviour and discourage corrupt practices. This can be done in a number of ways, but in all cases it must be clear to the assessor that the company incentivises its employees based on 'how' they achieve their goals, through tools such as performance appraisals and ethical conduct in the workplace. Where financial rewards are part of an incentive scheme, the company notes that in high-risk departments, such as sales, they must be proportionate to the employee's salary.</p>
1	<p>There is evidence that the company's incentive schemes for employee incorporate ethical and anti-bribery and corruption principles. However, the description of how the company achieves this is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>• There is no evidence that incentives are designed to reward behaviour in line with the company's ethical values as identified through performance appraisals or conduct in the workplace; in other words, the company's incentive scheme focuses solely on the achievement of business or financial targets;</li> <li>• Where there is evidence that the company includes financial rewards as part of its incentive schemes, there is no evidence that the company acknowledges that they must be proportionate to the base salary in the case of high risk employees, such as sales roles;</li> <li>• The company's evidence only applies to certain employees and does not acknowledge those in high risk positions or departments.</li> </ul>
0	<p>There is no evidence that the company's incentive schemes incorporate ethical or anti-bribery and corruption principles, or the company's approach to incentives is unclear to the extent that it cannot satisfy the requirements of score '1'.</p>

### 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?

#### Guidance:

This question is looking for evidence that the company upholds and promotes the values that it sets out in its code of conduct, ethics and compliance programme, or anti-bribery and corruption policy by explicitly committing to support and protect employees who refuse to act unethically. The company should also take appropriate measures to ascertain that its employees at all levels are assured of this commitment, for example through dedicated questions in anonymised staff surveys, anonymous feedback opportunities or other clearly stated means.

A publicly stated commitment to supporting employees who refuse to act unethically will help to promote behaviour in line with the company's anti-bribery and corruption policy by encouraging employees to ask questions and seek advice, without fear of negative consequences. It is important such a statement reassures employees that this commitment is upheld even if it affects business prospects as a result. Such a commitment is essential to promoting a culture of anti-bribery and corruption within the organisation, and will also encourage employees to raise concerns and report incidents in a timely and possibly more accurate manner than they might otherwise. This also helps to reinforce the accountability of the company's leadership in relation to any subsequent concerns or incident investigations.

#### Scoring Criteria:

<b>2</b>	The company clearly states that any employee who refuses to act unethically, in keeping with the company's ethical and anti-bribery and corruption values and policy, will be protected and supported even where such actions result in a loss of business or another disadvantage to the company. There is evidence that the company assures itself of its employees' confidence in this commitment through anonymised surveys or other clearly stated means.
<b>1</b>	The company clearly states that any employee who refuses to act unethically, in keeping with the company's anti-corruption commitments, will be protected and supported, even where such actions result in a loss of business or another disadvantage to the company. However, there is no evidence that the company assures itself of its employees' confidence in this statement through anonymised surveys or other clearly stated means.
<b>0</b>	There is no evidence that the company commits to support or protect employees who refuse to act unethically. Alternatively, it does not specify that it will support employees even where such actions result in a loss to the company, or the information provided is unclear to the extent that it cannot satisfy the requirements of score '1'.

### 3.6 Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?

**Guidance:**

This question is looking for evidence that the company promotes a clear policy of non-retaliation in relation to whistleblowers, as well as a clear statement that employees who breach this commitment will be disciplined. The company also takes appropriate measures to ascertain that its employees at all levels are assured of this commitment.

The evidence of the strength of this policy is its reception throughout the organisation. Awareness and confidence among staff is best checked through anonymised periodic employee surveys, or other clearly stated means. Such questions could cover employees’ experience of raising concerns, awareness of what to do if they have a concern, whether they are confident that the concern will be handled well, and whether they are able to raise concerns without fear of retaliation.

In addition to the company’s direct employees, it is essential that this policy applies to employees of third parties, suppliers and joint ventures, to the extent the main company can ensure they don’t suffer adverse consequences.

While question 3.5 relates to protecting employees who refuse to act unethically, this question addresses protection of those who report incidents and their treatment throughout the investigation process.

**Scoring Criteria:**

<b>2</b>	There is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents. This policy applies to all employees across the organisation, including those engaged by the group as third parties, suppliers and joint venture partners. The company commits to assure itself of its employees’ confidence in this commitment through surveys or other clearly stated means; this may include monitoring the usage statistics of whistleblowing channels across different parts of the organisation or conducting independent anonymised employee surveys.
<b>1</b>	There is evidence that the company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners. 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.
<b>0</b>	There is no evidence that the company promotes a policy of non-retaliation against whistleblowers or employees who report bribery and corruption incidents. Or, the information provided is lacking in one of the following ways: <ul style="list-style-type: none"> <li>• It is not clear that this policy includes both whistleblowers and employees who report bribery and corruption incidents; or</li> <li>• It is not clear that this policy applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners.</li> </ul>



### 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?

#### Guidance:

This question is looking for evidence that the company provides multiple channels for employees to report instances of suspected corrupt activity or seek advice on the company’s anti-bribery and corruption programme.

Whistleblowing channels are an important way of bringing corruption incidents or suspicions of corruption to light. Advice lines offer a way for employees and others to seek advice confidentially on the anti-bribery programme and ask questions which they might not feel comfortable raising directly with the company. Both rely on protecting the identity of the user so that sensitive issues or topics can be raised without concern, fear, penalty or harassment. Since in practice these channels and reporting lines don’t always function properly, the company ensures their operation through regular checks.

In addition to the company’s direct employees, it is essential that these policies and processes are applicable and available to employees of third parties, suppliers and joint venture partners. Employees of these organisations may suspect or witness an incident during the course of their interaction with the main company, and therefore should be able to speak up to report such incidents.

#### Scoring Criteria:

<b>2</b>	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. These channels are sufficiently varied to allow employees to raise concerns across the management chain, as well as through an external channel operated by an independent third party. These channels allow for confidential and, wherever possible, anonymous reporting. They are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners, and in all relevant languages.
<b>1</b>	There is some evidence that the company has whistleblowing and advice channels, but they fall short in some way. For example: <ul style="list-style-type: none"> <li>• There is no mention of any channels that allow for anonymous or confidential reporting;</li> <li>• The company only offers internally operated channels;</li> <li>• There are only whistleblowing channels and no advice channels; or</li> <li>• The channels are not explicitly available to all employees in any country of operation, or in multiple languages, or to any employees of third parties, suppliers or joint venture partners.</li> </ul>
<b>0</b>	There is no evidence that the company has either whistleblowing or advice channels; or this evidence is sufficiently unclear that it cannot satisfy the requirements of score ‘1’.

## **4. CONFLICT OF INTEREST**

## 4.1 Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members and that covers the following categories of possible conflict:

- a. Employee relationships;
- b. Government relationships;
- c. Financial interests; and
- d. Other employment.

### Guidance:

This question is looking for evidence of a clearly worded policy and/or procedure on conflicts of interest, including a definition of conflict of interest, who the policy might apply to and when the policy/procedure might apply. A strong conflict of interest policy will illustrate potential conflict scenarios and demonstrate when its policy/procedure might apply through examples.

Conflicts of interest arise when the various interests, duties or commitments that a person may have – family, friends, other work, voluntary work or political interests – come into conflict, or are very likely to come into conflict, with their work responsibilities. These conflicts do not necessarily involve improper or corrupt behaviour, although they can lead to it. Companies need to manage conflicts of interest at all stages, from actual to potential or perceived, in order to assure themselves that such behaviour does not pose a bribery or corruption risk.

A company’s conflict of interest policy should explicitly refer to at least the following categories of conflict:

- Employee relationships – whether, in the course of everyday company responsibilities, the employee interacts with immediate family members, relatives, or other individual/supplier/vendor/customer with whom they have close personal relationships;
- Government relationships – whether an employee also acts as an officer of any government or government department, especially if linked to defence and procurement processes;
- Financial interests – whether an employee stands to gain from or has influence over any supplier, subcontractor, customer or competitor involved in business dealings with the company;
- Other employment – whether an employee also acts as an operative, partner, consultant, representative, agent, director, or board member of another company, competitor, supplier, partner, or subcontractor.

### Scoring Criteria:

2	There is evidence that the company formally addresses conflict of interest as a corruption risk, and has a clear policy and/or procedure that defines conflicts of interest, including actual, potential and perceived conflicts. This policy explicitly covers all of the categories of possible conflicts listed in the guidance. The company states that this policy applies to all employees and board members, including those of subsidiaries and other controlled entities.
1	There is evidence that the company has a policy for conflicts of interest, however, it is lacking in some way. For example: <ul style="list-style-type: none"> <li>• It does not explicitly cover all of the categories of possible conflicts listed in the question;</li> <li>• It does not clearly define the types of relationships or conflicts covered under its policy; or</li> <li>• It is not clear or there is no evidence that the policy apply to all employees and board members.</li> </ul>
0	There is no evidence to suggest that the company has a policy on conflict of interest. Or, the information provided is sufficiently unclear that it cannot satisfy the requirements of score ‘1’; for example, the company publishes a sentence about approach to conflicts of interest without further details.

## 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?

### Guidance:

This question is looking for evidence of a structure that ensures the company's conflict of interest policy is implemented through processes for the identification and management of conflict of interest cases. This structure should also make reference to examples of criteria for recusals and potential punitive measures for breaches of the policy, to signal that any red flags identified will be dealt with appropriately, if necessary.

Responsibility for this is assigned to a body or individual to ensure individual conflict of interest cases are actively handled. This can be done directly or through a step-wise process where line managers assess reported conflicts of interest and escalate potential or actual conflicts of interest to an individual or body tasked with overseeing these, such as the compliance function. It is important that all steps in the process are recorded in writing and decisions at each level are documented in a dedicated register or other central depository that is accessible to those responsible for oversight of the process.

### Scoring Criteria:

2	<p>There is evidence that the company has clear procedures to identify, declare and manage conflicts of interest, actual, potential and perceived. This includes a statement that all employee and board member declarations of actual and potential conflicts of interest are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process. Potential or actual conflict of interest declarations are reviewed and overseen by a designated body or individual with ultimate accountability for its implementation and handling of individual cases. The description of this procedure also includes examples of criteria for recusals and a description of the potential punitive measures for breaches of the policy.</p>
1	<p>There is evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. However, this is lacking in some way, for example:</p> <ul style="list-style-type: none"> <li>• The company does not state that all employee and board member declarations are held in a dedicated register or central depository that is accessible to those responsible for oversight of the process;</li> <li>• There is no reference to a specific body or individual with oversight and accountability for handling cases; or</li> <li>• The company's policy does not mention examples of criteria for recusals or does not state that disciplinary measures will apply if breached.</li> </ul>
0	<p>There is no evidence that the company has procedures to manage conflicts of interest or their oversight. Or, information about these procedures is sufficiently unclear that it cannot satisfy the requirements of score '1'.</p>

## 4.3 Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?

### Guidance:

This question is looking for evidence that the company recognises the corruption and conflict of interest risks associated with the movement of employees between the company and the public sector, and that this is reflected in a clear policy and procedure. The movement of people between the private and public sectors can be a valuable way for actors in both sectors to build and access skills and knowledge, and facilitate understanding and cooperation. They can also be used by companies to further their lobbying aims, but, if not managed to acceptable criteria and transparency, they run risks of public mistrust, scandal or even outright corruption.

A company should address the risks associated with this practice and put in place controls to prevent violations of conflict of interest regulations. Best practice in this area would involve the company explicitly committing to not hiring any former public officials until a stated cooling-off period has come to an end; at minimum this period should be 12 months, although best practice would dictate two to three years.

The assessor is looking for evidence of a policy, procedure or clear statement – either as a standalone policy or as part of the company’s broader conflict of interest policy – that provides details on certain scenarios that might result in an actual, potential or perceived conflict of interest, including considerations relating to the public sector position the employee has moved/is moving from, and their prospective role in the company. This can include, but is not limited to, roles involving procurement, regulatory decisions, or public and government relations. If former public officials for whom conflict of interest risks have been identified are subsequently hired, the company states that a conflict of interest review must take place, potentially resulting in the imposition of restrictions on their activities.

### Scoring Criteria:

<b>2</b>	There is evidence that the company has a policy and/or procedure which includes controls to assess and regulate employment and offers of employment or consultancy engagement to current and recently departed public officials, including politicians. As a minimum, the policy requires senior compliance officer (or equivalent) approval for the initiation of any employment discussions with former or current public officials, a review of actual, potential or perceived conflict of interest and restrictions on their activities if such conflicts of interest are identified. There is also evidence that the company has a policy to implement a cooling-off period of at least 12 months before such public officials are permitted to have any form of contact or relationship with their former organisation on the company’s behalf.
<b>1</b>	There is evidence that the company has a policy that addresses the risks associated with the employment of public officials. However, the policy does not include any specific controls to assess and regulate the employment of current or former public officials, such as requiring senior approval for the initiation of employment discussions, undertaking a conflict of interest review and imposing restrictions on activities if risks are identified, or stipulating a cooling-off period of 12 months.
<b>0</b>	There is no evidence that the company has a policy regulating the employment of current or former public officials, or the company’s policy is insufficiently detailed to satisfy the requirements of score ‘1’.

## 4.4 Does the company report details of the contracted services of serving politicians to the company?

### Guidance:

There are a number of legitimate reasons why a company may contract the advisory or consultancy services of a serving politician. However, companies must recognise that these relationships create an opportunity for the exertion of undue influence and can be used as a vehicle for corrupt practices, or can be perceived as such. The company should be transparent about its engagement of serving politicians, due to the associated potential for conflicts of interest and corruption risks. This is especially relevant in cases where the contracted politician's public role is related to the product or services that the main company provides.

A politician refers to any person holding a legislative, executive, administrative or judicial office, whether appointed or elected.

The assessor is looking for evidence that the company publishes instances of retaining the services of serving politicians. These should be all services for which the politicians receive any financial compensation or benefit in kind. This should include publishing details of the politicians who have been contracted and/or retained, the services for which they have been contracted and/or retained, and any fees paid or other benefits provided to each politician. Alternatively, a company can gain full marks on this question by publishing a statement that it does not contract serving politicians, so long as the assessor cannot find any evidence to the contrary.

### Scoring Criteria:

<b>2</b>	<p>The company reports details of contracted and retained services of serving politicians, including the name and position of the individual, the services for which they have been retained and any fees paid or benefit in kind provided to each politician. There is evidence that this list is updated on at least an annual basis, listing all such relationships that are active or have been active in the past 12 months.</p> <p>Or, the company publishes a clear statement that it does not contract, or has not contracted in this period, any serving politicians.</p>
<b>1</b>	<p>The company reports some details of contracted and retained services of serving politicians, however the information that it reports is lacking in some way. For example, it does not report names or services retained; or it provides only high-level statements about the number of serving politicians retained. Or, the company reports all relevant information but there is no evidence or it is not clear that the list is up-to-date and all covers relationships in the past 12 months.</p>
<b>0</b>	<p>There is no evidence that the company reports details of the contracted services of serving politicians; or, the details that the company reports are sufficiently unclear that it cannot satisfy the requirements of score '1'.</p>

# 5. CUSTOMER ENGAGEMENT

## 5.1 Contributions, Donations and Sponsorships

### 5.1.1 Does the company have a clearly defined policy and/or procedure covering political contributions?

#### Guidance:

The assessor is looking for evidence that the company recognises the potential bribery and corruption risks posed by political contributions, and has a policy that sufficiently regulates such transactions so as to ensure that they are not corrupt.

Good practice adopted by an increasing number of companies globally is to prohibit political donations reflecting their potential for misguided perceptions of companies' intentions and the risk of bribery or corruption. Corporate political contributions should not be made. At minimum, where the company does make political contributions, authorisation is required from individuals with legal expertise in the company, with the explicit purpose of preventing undue influence or other corrupt intent.

This question looks exclusively at donations made by or on behalf of the company; it does not apply to personal donations by employees, board members and contractors. However, board directors or senior managers should be explicitly prohibited from making personal political donations in their capacity as representatives of the company.

Political contributions are defined as money and gifts in kind transferred to a political party, politician or political candidate, including but not limited to sponsorships, subscriptions and affiliation fees, money to meet expenses, loans, property, services and other facilities at less than market value. For the purpose of this assessment, Political Action Committees (PACs) operated by or in association with companies operating in the USA are considered to be a form of indirect political contribution.

Due to the complexity of the subject and wide range of donations that constitute political donations, the option to score '1' has been removed from this question.

#### Scoring Criteria:

2

There is evidence that the company has a policy or clear statement that it prohibits political contributions, to ensure that these payments are not used as vehicles for bribery and corruption. Corporate political contributions whether by the company itself or by any other entity or individual acting on the company's behalf are prohibited under any circumstance, whether made directly or indirectly.

There is no readily available evidence to suggest that the company is associated with a Political Action Committee (PAC); this applies to any companies headquartered or operating in the USA. It is insufficient for the company to state that it complies with relevant laws and regulations, or to state that in it has not made political contributions in a certain period without a general policy to prohibit such expenditures.

0

The company's approach to political contributions is unclear or lacking in some way. For example:

- There is no evidence that the company has a policy or procedure on political contributions, and therefore the company's position on the subject is unclear;
- There is evidence that the company has a policy on political contributions, however it states that such donations are generally prohibited but permissible in certain circumstances with appropriate authorisation and sign-off;
- There is evidence that the company has a policy or procedure prohibiting political contributions, however it is not clear or it does not explicitly apply across the organisation to all employees, board members, third parties and/or other entities controlled by the company;
- There is evidence that the company has a policy which does not prohibit political contributions or indicates that political contributions are permitted or encouraged; or
- The company prohibits corporate political contributions but there is evidence that the company is associated with a Political Action Committee (PAC) in the USA.



## 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?

### Guidance:

This question is looking for evidence that the company is open and transparent about any corporate political contributions made to ensure that they are not corrupt.

Due to the complexity and wide range of donations that constitute political donations, the option to score '1' has been removed from this question. If the company publishes a clear statement that it does not make any form of political contributions and consequently received a score of '2' on the previous question (5.1.1), this question should be marked as N/A.

### Scoring Criteria:

2	<p>The company publishes details of its political contributions, and there is evidence that this data is updated and published on at least an annual basis. These details should include, in line with good practice, details of the recipient, amount, country of recipient and the name of the corporate entity that made the contribution. The company also discloses details of the contributions and disbursements made through any Political Action Committee (PAC) that it might be associated with, either by publishing this information on its website or through a direct link to official reporting documents.</p>
0	<p>The company does not publish details of its political contributions, or this data is unclear or lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The company publishes a high-level total of all political contributions made in a given time period but does not provide any further details such as details of the recipient, amount, country of recipient and the name of the corporate entity that made the contribution;</li> <li>• The company publishes full details of its corporate political donations but there is no evidence that it publishes details of the contributions or disbursements made through any Political Action Committee (PAC) with which it is associated, if relevant;</li> <li>• The company publishes details of its political contributions and PAC contributions, if relevant, but there is evidence that this data is not updated on an annual basis and/or correct to the most recently reported financial year.</li> </ul>

### **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?**

#### **Guidance:**

This question is looking for evidence that the company has controls to counter the bribery and corruption risks associated with charitable contributions and sponsorships. This should include internal controls such as criteria for donations and procedures for approval including counter signatures, checks and balances, and due diligence on potential recipients. While these controls are important, greater transparency further contributes to mitigate the risks of charitable donations and sponsorship becoming vehicles for corrupt activity and helps improve trust in a company's intentions. In addition to a robust policy, the assessor is looking for evidence that the company is transparent about charitable donations and sponsorships expenditure to ensure that they are not corrupt.

Charitable contributions and sponsorships can be used as routes for active bribery or passive bribery in the form of kickbacks. They are convenient and attractive routes for bribery to influence officials or win contracts as the transaction amounts can be manipulated where there is no market benchmark. To this end, a strong procedure covering charitable donations should address both financial contributions as well as in-kind support, where a donation may be in the form of goods or services. It is also important that any policy on charitable donations and sponsorships covers those made both directly and indirectly, for example through corporate foundations, and that any donations to corporate foundations, financial or in-kind, are reported in a transparent way.

To gain full marks on this question, a company must either demonstrate a high level of transparency in its reporting on charitable donations and sponsorships or it must demonstrate that it does not make such contributions and has not done so in practice. Charitable donations and sponsorships do not necessarily need to be addressed within the same policy or procedure, so long as it is clear to the assessor that both are addressed and covered by the company. A company may receive full marks for publishing a policy covering only charitable donations, providing it is clear that the company does not engage in sponsorships (and vice-versa).

Scoring Criteria:

<p>2</p>	<p>There is evidence that the company has a clear policy and/or procedure covering both charitable donations and sponsorships, whether made directly or through corporate foundations, to ensure that such donations are not used as vehicles for bribery and corruption. There is evidence that these policies and/or procedures include measures to ensure this, for example, by specifying criteria for donations, procedures for senior sign-off, or due diligence on recipients. The company also publishes full details of all charitable donations made, including details of the recipient, amount, country of recipient and which corporate entity made the payment; this includes donations made, financial or in-kind, to corporate foundations. The data is updated and released on at least an annual basis to cover the past 12 months.</p> <p>Or, the company publishes a clear statement that it does not make charitable donations or sponsorships as a matter of policy, and there is evidence that the company has not made such donations in the past 12 months.</p>
<p>1</p>	<p>There is evidence that the company has a policy and/or procedure covering both charitable donations and sponsorships; however, this policy is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is evidence that the company's policy and/or procedure includes measures to ensure that donations are not used as vehicles for bribery and corruption, but these are vague or unclear;</li> <li>• The company publishes some details on the charitable donations and sponsorships made, but it does not publish sufficient details as described in score '2'; or</li> <li>• There is no evidence that the company publishes and updates this information on at least an annual basis to cover the past 12 months.</li> </ul>
<p>0</p>	<p>There is no evidence that the company has a policy on charitable donations or sponsorships. Alternatively:</p> <ul style="list-style-type: none"> <li>• There is evidence that the company has a policy and/or procedure on charitable donations or sponsorships, but there is no evidence that the company formally addresses both; or</li> <li>• There is evidence that the company has a policy and/or procedure on charitable donations and sponsorships, but there is no evidence that these policies include measures to ensure donations are not used as vehicles for bribery and corruption.</li> </ul>

## 5.2 Lobbying

### 5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?

#### Guidance:

This question is looking for evidence that the company has controls in place to counter the bribery and corruption risks associated with lobbying, including clear procedures and standards to ensure that its employees and consultants lobby responsibly.

When conducted responsibly, lobbying is a legitimate and beneficial activity, allowing companies to provide policymakers with information, expertise and resources and addressing the public by stimulating and contributing to public debate. However, lobbying is also an area that is regarded with suspicion by the public and is subject to opacity and risk of corruption. It is not sufficient merely to state that the company complies with all relevant laws and regulations in the countries in which it undertakes lobbying activities.

In this section, the term ‘lobbying’ includes activities involving both formal and informal contact with politicians by senior public officials by in-house lobbyists, consultant lobbyists and professional firms, as well as board members and management, whether carried out directly or indirectly, through intermediaries such as trade associations.

#### Scoring Criteria:

<b>2</b>	There is evidence that the company has a policy and/or procedure that defines lobbying, broad enough to cover the spirit of the term as described in the guidance, and sets out the values and behaviours that constitute ‘responsible’ lobbying. A ‘responsible’ lobbying policy includes, at minimum, certain standards of conduct and clear oversight mechanisms that apply to in-house, external and association lobbyists. This policy provides clear guidelines on what behaviours are acceptable and unacceptable and on the corruption risks associated with lobbying (e.g. gifts and hospitality, undue influence, conflicts of interest, etc.). This policy and/or procedure applies to all employees, board members and third parties lobbying on the company’s behalf.
<b>1</b>	There is some evidence that the company has a policy and/or procedure on lobbying, however it is lacking in some way. For example: <ul style="list-style-type: none"> <li>• The company’s policy does not define lobbying and/or responsible lobbying or the definition is not broad enough to cover the requirements of score ‘2’;</li> <li>• The company’s policy is unclear and/or does not mention certain standards of conduct or specific oversight mechanisms that apply to all types of lobbyists;</li> <li>• Specific controls or guidelines are not provided or are unclear; or</li> <li>• The policy does not apply company-wide to all employees, board members and third parties engaged in lobbying activities on the company’s behalf.</li> </ul>
<b>0</b>	There is no evidence that the company has a policy and/or procedure on lobbying, or the evidence that the company provides is insufficiently detailed to satisfy the requirements of score ‘1’.

## 5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?

### Guidance:

This question is looking for evidence that the company is open about its public policy aims and the subjects of its lobbying activities. Increased transparency around the public policy aims and lobbying activities of companies can be achieved in a number of different ways to help mitigate the risk of lobbying abuses. Public information provided should contain sufficient detail to enable the public to understand the nature of lobbying activities and be published in a timely manner.

To score full marks in this question, the company must publish a clear list of the aims and topics on which the company lobbies, along with a description of its position and any relevant activities. This list may be published in any format, so long as the topics, activities and their significance are clear to the assessor.

If the company explicitly states that it has not conducted any lobbying activities in the specified period, and the researcher has no evidence to the contrary, this question should be scored N/A.

### Scoring Criteria:

<b>2</b>	The company publishes a list of the topics on which it lobbies, including a description of its core positions, their importance or relevance to the company and stakeholders, and the activities it carries out, or which are carried out on its behalf by others. It is clear that these points represent the aims and topics on which the company conducts lobbying activities worldwide; in other words, it provides specific aims and topics for every jurisdiction in which it lobbies or it publishes a statement to clarify that it has only conducted lobbying activities in the countries in which it has publicly stated aims and topics.
<b>1</b>	The company publishes some details of the topics on which it lobbies, but the information provided is incomplete, unclear, out of date, or does not include supporting details of the aims and significant topics or activities that were carried out. Or, the company publishes information on its lobbying aims and topics as described in score '2', but it is not clear that this covers every jurisdiction in which the company lobbies and/or it is not clear whether the company conducts lobbying activities in more than one jurisdiction.
<b>0</b>	There is no evidence that the company publishes any information on its lobbying aims, topics or activities.

## 5.2.3 Does the company publish full details of its global lobbying expenditure?

### Guidance:

The bribery and corruption risks associated with the opacity of corporate lobbying activities can only truly be mitigated through increased disclosure of company practices. This question is looking for evidence that the company is committed to being transparent about its lobbying practices, by publishing details of its lobbying expenditure on a regular basis.

If the company explicitly states that it has not conducted any lobbying activities in the specified period, and the researcher has no evidence to the contrary, this question should be scored N/A.

### Scoring Criteria:

2	The company provides details of all of its global lobbying expenditure, up to the most recently reported financial year. Expenditure data is broken down by corporate entity, geography, internal lobbyists/ external lobbyists/association lobbying and an explanation of how the figures in the data have been calculated. It is clear that the figure reported represents the company's expenditure on all lobbying activities worldwide; in other words, it provides data for every jurisdiction in which it lobbies or it publishes a statement to clarify that it has only conducted lobbying activities in the countries in which it has disclosed expenditure.
1	The company provides some details of its global lobbying expenditure, however this information is lacking in some way. For example: <ul style="list-style-type: none"><li>• The expenditure data provided does not include all details mentioned in score '2'; instead, for example, this data may appear in the form of a summary total expenditure and/or a lack of information on the methodology used to calculate expenditure;</li><li>• The company provides expenditure data but it is not clear that these figures represent global expenditure for all jurisdictions in which the company has conducted lobbying activities; or</li><li>• It is not clear or there is no evidence that the data is correct up to the most recently reported financial year.</li></ul>
0	There is no evidence that the company provides any details about its global lobbying expenditure.

## 5.3 Gifts and Hospitality

### 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?

#### Guidance:

This question is looking for evidence that the company has clear controls to counter the bribery and corruption risks posed by gifts and hospitality (collectively referred to as 'promotional expenses').

There can be significant bribery and corruption risks attached to promotional expenses. For example, an employee or agent may try to build favour by providing inappropriate entertainment and gifts to prospective clients in order to win contracts or to influence public officials. Best practice in this area permits promotional expenses where they are transparent, proportionate, bona fide, and where clear oversight is established. The most comprehensive policies on promotional expenses include specific reference to the types that company employees may encounter as part of their employment, and establish set reasonable and proportionate value limits for giving or receiving such promotional expenses.

Gifts and hospitality may be addressed as two separate policies or as one comprehensive policy within the company's anti-bribery and corruption or ethics and compliance programme, so long as it is clear to the assessor that both categories of promotional expense are covered in sufficient detail as outlined in the scoring system.

#### Scoring Criteria:

2	<p>There is evidence that the company has a policy and/or procedure on the giving and receipt of gifts and hospitality with clear procedures designed to ensure that such promotional expenses are not used as vehicles for bribery and corruption. This policy establishes financial limits, along with an approval procedure, for the different types of promotional expense that employees may encounter. The policy also explicitly addresses the risks associated with gifts and hospitality given to and/or received from domestic and foreign public officials, for example by specifying a different financial threshold or approval procedure. The company's policy includes a clear statement that all gifts and hospitality above certain thresholds are recorded in a dedicated register or central depository that is accessible to those responsible for oversight of the process.</p>
1	<p>There is evidence that the company has a policy and/or procedure on the giving and receipt of gifts and hospitality to ensure that such promotional expenses are not used as vehicles for bribery and corruption; however this policy is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is no evidence that the company's policy specifies financial or proportional limits or different approval procedures for different types of promotional expenses;</li> <li>• There is no evidence that the company's policy addresses the risks associated with gifts and hospitality given to/received from domestic or foreign public officials; or</li> <li>• There is no evidence that gifts and hospitality above a certain threshold are recorded in a dedicated register or central depository and/or there is no evidence that this register is accessible to those responsible for oversight of the process.</li> </ul>
0	<p>There is no evidence that the company has a policy or procedure on gifts or hospitality, or there is evidence that the company has a policy on gifts and hospitality but it is insufficiently detailed to satisfy the requirements of score '1'.</p>

# 6. SUPPLY CHAIN MANAGEMENT

For the purpose of this assessment, a supplier refers to any company that has a direct business relationship and/or interaction with the main company (sometimes known as tier one or first generation suppliers). A company's supply chain in this assessment refers to all suppliers, contractors, sub-contractors and vendors. This definition applies to all questions within this section.



## 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?

### Guidance:

This question is looking for evidence that the procurement department is involved in, and is ultimately responsible for, the onboarding of new suppliers over a certain value threshold.

A company's procurement department plays a vital role in ensuring that the proper due diligence checks and approval processes are followed, both at the onboarding phase as well as in the day to day management of supplier relationships. It is essential that the procurement department is responsible for the management, monitoring and oversight of the company's entire supply base so that any risks can be understood and appropriately mitigated. Centralisation of records and oversight can aid the streamlining of the supplier base and reduce numbers of suppliers and their overlap. This in turn can improve the quality oversight of more manageable supplier numbers.

The assessor is looking for evidence that the company assures itself of the procurement department's role in establishing and maintaining oversight of its suppliers. The company is not required to publish a specific threshold such as size, value or frequency of interaction for the suppliers captured in this question, but it must be clear to the assessor that such a determinant is in place and that this metric is proportional to the supply base. As an example, a company may refer to any suppliers over a certain size, value of contract, frequency of interaction or whether a purchase order is required, depending on its structure and operations.

### Scoring Criteria:

2	<p>There is evidence that the company requires and ensures the involvement of its procurement department in the establishment of new supplier relationships, over a specified threshold if so preferred. The procurement department is ultimately responsible for providing oversight of the company's supplier base. The company assures itself that proper procedures regarding the onboarding of suppliers are followed through clearly stated means, such as an audit or other assurance process, at least every three years.</p>
1	<p>There is evidence that the company's procurement department is involved, in some capacity, in the establishment and oversight of supplier relationships; however, this is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The company does not state or provide evidence to suggest that it requires the involvement of its procurement department in the establishment of any new suppliers or those over a specific threshold;</li> <li>• It is not clear that the procurement department is the main body responsible for oversight of the company's supplier base; or</li> <li>• There is no evidence that the company assures itself of the procurement department's involvement at least every three years through clearly stated means, such as an audit or other assurance process.</li> </ul>
0	<p>There is no evidence that the company has a procurement department that is involved in and responsible for the establishment and/or oversight of its supplier base.</p>

## 6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?

### Guidance:

This question is looking for evidence that the company conducts due diligence on all its suppliers, which is based on an assessment of the bribery and corruption risks associated with the supplier, its products and/or services and its location.

A robust, risk-based due diligence process that applies to all suppliers is an essential part of any company's supplier risk management system. It is essential that such checks are conducted on a continuous or regular basis to ensure that the company is aware of any changes or developments in the risk profile of its suppliers, rather than simply at the start of the contractual relationship. Companies must find a suitable and proportional methodology for screening their suppliers to ensure they obtain the right information needed to uncover red flags and assess the level of integrity and compliance of a supplier against consistent criteria. While focused on identifying high risk suppliers, the due diligence methodology should be capable of managing large numbers of entities within the available resources.

To score full marks in this question, the assessor is looking for evidence that the company's due diligence checks specifically include establishing the ultimate beneficial ownership of the supplier, and that such checks are refreshed on a reasonably frequent and regular basis throughout the lifecycle of the supplier's contract.

### Scoring Criteria:

2	<p>There is evidence that the company has formal procedures to conduct risk-based due diligence when engaging and re-engaging with any suppliers. The due diligence process explicitly includes, at minimum, establishing the ultimate beneficial ownership of the supplying company. There is evidence that highest risk suppliers are subject to enhanced due diligence. This process is conducted at least every two years or when there is a significant change in the business relationship. The company's due diligence procedure is accompanied by a clear statement that supplier relationships will be subject to review, and potential termination, if any red flags highlighted in the due diligence cannot be mitigated, for example, where beneficial ownership cannot be established.</p>
1	<p>There is evidence that the company has formal procedures to conduct due diligence on its suppliers; however, the procedures are lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The company only conducts due diligence on certain types of suppliers, or it is not clear that it conducts due diligence on all suppliers;</li> <li>• The company's due diligence procedures do not include checks on, at least, beneficial ownership;</li> <li>• There is no evidence to suggest that highest risk suppliers are subject to enhanced due diligence;</li> <li>• The company only conducts due diligence before engaging with suppliers and not at least every two years or in response to a change in the business relationship, or it is not clear how frequently the company conducts due diligence; or</li> <li>• There is no evidence to suggest 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.</li> </ul>
0	<p>There is no evidence that the company conducts due diligence on its suppliers. Or, the company's statement is insufficiently clear to satisfy the requirements of score '1'; for example, the company simply states that it conducts due diligence on its suppliers, without providing any further details.</p>

## 6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?

### Guidance:

This question is looking for evidence that the company has a policy in place that requires adequate standards of anti-bribery and corruption from the suppliers it engages. Choosing a supplier carries an inherent risk, particularly when a supplier may be based in a different country of operation from the parent company. Ensuring that a supplier has adequate standards of anti-bribery and corruption mechanisms in place not only contributes to reducing the opportunities for corruption in the market overall, but also protects the parent company from prosecution.

Suppliers must have clear policies in place that prohibit, at minimum, foreign and domestic bribery and facilitation payments in the conduct of business. In addition, robust policies and procedures that cover conflict of interest, gifts and hospitality and whistleblowing are essential, particularly where the supplier's activities may involve government interaction.

The way in which a company ensures this can vary. Contractual terms and policies can imply that the company's own anti-corruption standards apply to the supplier. Alternatively, the company can assure itself that the supplier's own anti-corruption standards meet the required criteria.

The most responsible companies will extend these checks to their wider supplier base, but it is essential that at least tier one suppliers are included.

### Scoring Criteria:

2	<p>There is evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place. It is explicitly stated that all suppliers must have, at minimum, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies and procedures to address conflicts of interest, gifts and hospitality, and whistleblowing. There is evidence that the company takes active steps to ensure this, for example by requiring that all suppliers follow its own anti-bribery policies and procedures, or by assessing suppliers' anti-bribery and corruption programme and ensuring any other appropriate equivalent standards are implemented where gaps are identified. The company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.</p>
1	<p>There is some evidence that the company ensures that its suppliers have adequate anti-bribery and corruption policies and procedures in place; however, this is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The company does not clearly state that all suppliers must have, at least, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, and/or policies that cover conflicts of interest, gifts and hospitality, or whistleblowing;</li> <li>• There is no evidence to suggest that the company takes active steps to ensure that its suppliers have adequate anti-bribery and corruption policies and procedures in place, or it is unclear how the company ensures this in practice, for example through measures as described in score '2';</li> <li>• It is not clear that the company ensures that these standards for all of its suppliers and/or that it assures itself of this for all suppliers; or</li> <li>• It is unclear or not specified that this assurance is conducted when onboarding new suppliers and/or when there is a significant change in the business relationship.</li> </ul>
0	<p>There is no evidence that the company ensures that its suppliers have anti-bribery and corruption policies in place that meet a high standard. Or, the company states that suppliers must meet a certain standard of ethical business conduct, but does not specifically refer to any of the anti-bribery and corruption measures mentioned in score '1'.</p>

## 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?

### Guidance:

This question is looking for evidence that the company is taking an active role in promoting anti-corruption within its supply chain, by requiring its tier one suppliers to require that further sub-contractors have adequate standards of anti-bribery and corruption measures in place.

With supply chains spanning multiple countries and jurisdictions, the concept of ‘flowing down’ an adequate level of anti-bribery and corruption standards to sub-contractors has become an important feature of supplier best practice. Bribery and corruption can easily pass unnoticed lower down the supply chain, but that does not lessen the consequences; it can damage the company’s reputation, erode public trust and permeates a culture of corruption in the defence industry.

### Scoring Criteria:

2	There is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place, and that the substance of its anti-corruption and bribery programme and standards are included in sub-contracts throughout the supply chain. This evidence appears in the form of a clear statement, short description or set of supplier principles that sets the minimum standards of ethical behaviour expected throughout the supply chain.
1	There is some evidence that the company takes steps to ensure that the substance of its anti-bribery and corruption programme and standards are required of sub-contractors throughout the supply chain. However, this evidence is in the form of a simple statement or it is unclear how the company does this in practice.
0	There is no 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.

## 6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?

### Guidance:

This question is looking for evidence that the company collects and publishes top level data on ethical and anti-bribery and corruption inquiries and investigations in relation to its suppliers. Transparency around the results of these investigations, in the form of disciplinary actions, provide a high-level indication that the company's anti-bribery and corruption controls function in practice and reflect the company's effective monitoring and oversight of its supplier base.

The supplier data should be disaggregated from investigations against other types of individuals, such as agents or company employees. This information should be limited to high-level data, in other words the reports should be anonymised and summarised in a way that prevents individuals from being identified.

### Scoring Criteria:

2	The company publishes high-level data from all ethical, bribery or corruption-related incidents and investigations involving suppliers. This should include, at a minimum: the number of investigations launched and the number of disciplinary actions as a result of investigation findings. This data is published at regular intervals, on at least an annual basis covering cases in the past 12 months.
1	<p>The company publishes some high-level information on its ethical, bribery or corruption-related incidents and investigations involving its suppliers, however this data is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is no evidence to suggest that this ethics and compliance-related data would include details of bribery or corruption related incidents, investigations or disciplinary actions;</li> <li>• The information that the company publishes does not cover all of the specific measures described in score '2'; or</li> <li>• The data does not updated on at least an annual basis and/or does not cover the past 12 months.</li> </ul>
0	There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or associated disciplinary actions relating to its suppliers.

# 7. AGENTS, INTERMEDIARIES AND JOINT VENTURES

For the purpose of this assessment, agents are defined as individuals or entities authorised to act for, or on behalf of, a company to further its business interests, for example in sales or marketing, and in, or with, a foreign country or foreign entity. The terms agent, advisor and broker are often used interchangeably, but the authority to act on behalf of the company's interests distinguishes this type of third party from other intermediaries, such as consultants and lobbyists.

## 7.1 Agents and Intermediaries

### 7.1.1 Does the company have a clear policy on the use of agents?

#### Guidance:

This question is looking for evidence that the company has a clearly defined approach to the use of agents, whether by implementing stringent controls on their use or by choosing not to use agents in the course of business.

Agents can make a valuable contribution to any defence transaction, and may perform a range of legitimate functions. Yet they are also widely recognised as one of the most significant and pervasive bribery and corruption risks in the defence sector. Agents pose a unique corruption threat as they may be authorised to act on behalf of the company's interests, often with a high level of discretion and minimal oversight. Companies that choose to use agents despite these risks must ensure that they operate with a clear and consistent approach, putting in place controls to combat this threat. Such an approach should also include an assessment of whether the employment of an agent is necessary in each case, or whether those functions could be performed through in-country employees or other entities.

A company may also choose not to use agents in the conduct of business in face of the corruption risks these pose, as a way of eliminating associated corruption risks.

#### Scoring Criteria:

2	<p>There is evidence that the company has a clear policy and/or procedure to control the use of agents, which addresses the corruption risks associated with the use of agents and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an agent is, in each case, necessary to perform a legitimate business function. This policy applies to all divisions within the organisation which might employ agents, including subsidiaries and joint ventures.</p> <p>Or, the company publishes a clear statement that it does not use agents and the assessor has no evidence contradicting this statement.</p>
1	<p>There is evidence that the company has a policy covering the use of agents, however this policy is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The policy does not address the corruption risks associated with the use of agents and/or does not provide details of specific controls to mitigate these risks;</li> <li>• The policy does not explicitly commit to establishing and verifying that the use of agents is, in each case, necessary to perform a legitimate business function; or</li> <li>• It is not clear or there is no evidence that this policy also applies to subsidiaries and joint ventures.</li> </ul>
0	<p>There is no evidence that the company has a policy covering the use of agents. Or, the information provided is sufficiently unclear that it cannot satisfy the requirements of score '1'; for example, the company provides a simple statement on the use of agents without clearly addressing the potential corruption risks.</p>

## 7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?

### Guidance:

This question is looking for evidence that the company conducts due diligence on all its agents and intermediaries, which is based on and determined by an assessment of bribery and corruption risks. This refers specifically to any agents, advisers, consultants or intermediaries authorised to act for or on behalf of the company to further its business interests.

Due to the high corruption risks associated with the use of agents and intermediaries, companies must find a suitable methodology for screening their agents to ensure they obtain the right information needed to uncover red flags and assess the level of integrity of an agent against consistent criteria. It is essential that such checks are conducted on a continuous or frequent enough basis to ensure that the company is aware of any changes or developments in the risk profile of any particular agent, rather than simply at the start of the contractual relationship. For example, conflicts of interest can arise and develop over time. A frequency of every two years has been found to be the best practice standard across the sector and reflects the high corruption risk posed by agents.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

<b>2</b>	There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to engaging and/or re-engaging any agents and intermediaries, at least every two years and/or when there is a significant change in the business relationship. All agents and highest risk intermediaries are subject to enhanced due diligence. The company commits to not engaging or terminating its engagement with agents or intermediaries where risks identified in the due diligence cannot be mitigated.
<b>1</b>	There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence prior to engaging and/or re-engaging with its third parties and agents; however, these procedures are lacking in some way. For example: <ul style="list-style-type: none"> <li>• The company states that it conducts due diligence on third parties, without clearly specifying agents or high risk intermediaries;</li> <li>• It is not clear that agents and highest risk intermediaries are subject to enhanced due diligence;</li> <li>• The company only conducts due diligence before engaging agents and is not repeated at least every two years and/or when there is a significant change in the business relationship; or</li> <li>• There is no evidence or it is not clear that the company commits to not engaging or terminating its engagement with agents or intermediaries where risks identified in the due diligence cannot be mitigated.</li> </ul>
<b>0</b>	There is no evidence that the company conducts anti-bribery and corruption due diligence on its agents or intermediaries, or the information provided is sufficiently unclear that it cannot satisfy the requirements of score '1'.



## 7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?

### Guidance:

This question is looking for evidence that the company aims to know and verify the beneficial ownership of the agents and intermediaries it does business with as part of its due diligence process. A 'beneficial owner' is the natural person(s) who ultimately owns or controls the legal person or legal arrangement.

Knowing the beneficial ownership of high risk business partners such as agents is an important part of the screening information needed to uncover red flags and assess the level risk involved in doing business together. As a first step a company would request the agent to submit their beneficial ownership information, which then can be verified by the company.

There is a difference between verification and independent verification. Verification means that companies use documentation, usually government-issued, such as information available in company registries, to confirm the identity information. Independent verification, on the other hand, relates to the process of conducting additional verification using independent sources, such as watch lists, commercial databases, information found on the internet, personal visits, and social networks, among others. While independent verification may not be necessary for all agents, depending on their risk profile, the company should have systems in place to verify the identity agents identified as high risk independently.

Companies with a strong commitment to anti-corruption should not engage with parties whose beneficial ownership identities they are unable to establish.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

<b>2</b>	There is evidence that the company has formal procedures in place to establish the beneficial ownership of agents prior to engaging them, and at least every two years and/or when there is a significant change in the business relationship. The company operates, as a minimum, a risk-based beneficial ownership verification policy, whereby all agents must disclose this information to the company; and there is evidence that information provided by agents is verified and that information provided by high risk agents is independently verified. The company commits to not engaging or terminating its engagement with agents or intermediaries where ultimate beneficial ownership cannot be established.
<b>1</b>	There is evidence that the company has formal procedures in place to establish the beneficial ownership of agents prior to engaging them, which includes requiring agents to disclose this information and verifying it as part of the due diligence process; however, this is lacking in some way. For example: <ul style="list-style-type: none"> <li>• There is no evidence that the company commits to independently verify the beneficial ownership information provided by high risk agents;</li> <li>• There is no information that the company verifies this information both before onboarding and at least every two years and/or when there is a significant change in the business relationship; or</li> <li>• The company does commit to reviewing its engagement with agents or intermediaries if beneficial ownership cannot be established, but it does not mention potential termination.</li> </ul>
<b>0</b>	There is no evidence that the company aims to establish the beneficial ownership of its agents, or there is no evidence that the company commits to not engaging or terminate its engagement with agents in cases where beneficial ownership cannot be established.

## 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?

### Guidance:

This question is looking for evidence that, in all cases, the company’s anti-bribery and corruption policy applies to all agents and intermediaries acting for and/or on behalf of the company. This commitment is reinforced by a contractual agreement with the agent, whereby the contracted entity is required to implement and uphold an anti-bribery and corruption policy comparable to or aligned with its own. The contractual clause should cover both foreign and domestic bribery and corruption. The contract should include the implementation of controls to prevent and detect breaches, including audit rights and termination rights.

A contract with the third party is more than an agreement – it is a critical anti-corruption control. It communicates explicitly the company’s expectations regarding anti-corruption and ethical behaviour, establishes rights and specifies anti-corruption requirements and processes for monitoring, reappointment, remediation, termination and exit. Audit and termination rights provide companies with formal mechanisms through which they can assure themselves that the agents they associate with are implementing these controls in practice and are committed to addressing and preventing bribery and corruption in their operations.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

<b>2</b>	There is evidence that the company’s anti-bribery and corruption policy applies to all agents and intermediaries acting for or on behalf of the company. The company states that all agents and intermediaries are subject to anti-bribery and corruption clauses in their contracts, which include clear audit rights and termination rights to detect, control and prevent breaches.
<b>1</b>	There is evidence the company’s anti-bribery and corruption policy applies to agents and intermediaries, and that it includes anti-bribery and corruption clauses in its contracts with such entities, with audit and termination rights. However, it is not clear that this applies to all agents and intermediaries without exception, or the company states that such clauses apply in general to ‘all third parties’ without specifying agents and intermediaries.
<b>0</b>	There is evidence that the company’s anti-bribery and corruption policy applies to agents and intermediaries and that it includes anti-bribery and corruption clauses in its contracts with such entities; however, there is no evidence that these clauses include audit and termination rights. Alternatively, there is no evidence that the company’s anti-bribery and corruption policy applies to agents and intermediaries, or it is not clear that the company includes anti-bribery and corruption clauses in its contracts with these entities.

## 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?

### Guidance:

This question is looking for evidence that the company recognises the role that incentive structures can play in motivating ethical and limiting corrupt behaviour of agents and considers mechanisms to ensure incentive structures promote behaviour in line with its anti-bribery and corruption policy.

Entirely performance-based remunerations can incentivise agents to ‘push the deal through’ at any cost. Similarly, disproportionately large upfront payments can be an indicator of bribes funnelled through agents to customers or other parties. Recent defence corruption scandals involving agents have also led many companies to ban the payment of agent remuneration into foreign or offshore accounts as a best practice measure. In this question, ‘incentive structures’ are used to refer to the structure of remuneration and financial compensation provided to agents for the provision of services for or on behalf of the company.

The assessor is looking for evidence that the company directly addresses the corruption risks associated with incentive payments to agents, and implements clear controls to mitigate these risks, such as a cap on sales-based commissions to agents, reasonably sized payments, staged payments and only paying agents into local bank accounts.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

2	There is evidence that the company explicitly highlights and addresses incentive structures for agents as a factor in bribery and corruption risk. The company states that it places a threshold on sales-based commissions to agents so that payments do not exceed a proportion of the net fee to the agent, and there is evidence that remuneration to agents is paid only in staged payments over the course of their contract, based on clear milestones. There is also evidence that the company commits to only paying agents into local bank accounts.
1	There is evidence that the company highlights and addresses incentive structures for agents as a factor in bribery and corruption risk. However, there is no evidence that the company imposes a threshold on the payment of sales commissions to agents, and/or there is no requirement that remuneration is paid in stage payments or into local bank accounts.
0	There is no evidence that the company addresses incentive structures as a risk factor in agent behaviour, or there is no evidence that the company's incentive structures for agents include measures to mitigate potential bribery and corruption risks.

## 7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?

### Guidance:

This question is looking for evidence that the company is open and transparent about agents it engages. Agents are widely recognised as the most significant and pervasive bribery risk in defence, and recurring - as well as recent - corruption cases within the sector continue to highlight the difficulty to manage them. Despite the maturing of compliance systems, enhanced due diligence, and mitigation measures, company processes will only go some way to protect it from these risks. The disclosure of agents used by companies would reduce the opportunity for corruption and improve collective oversight and accountability within the sector. The pervasiveness of corruption risks posed by third-party intermediaries certainly warrants such an enhanced level of circumspection.

In these circumstances, companies can and should adopt a policy of openness about the agents with which they engage, by routinely publishing a list of agents authorised to act for or on behalf of the company. Any company committed to reducing the risks of corruption which arise when intermediaries are engaged has a legitimate interest in maintaining such a list, as an aspect of its legitimate interest in minimising (or seeking to eliminate) the risks of corruption and in pursuing a more transparent way of doing business. Adopting a clear policy and drawing this to the attention of agents will ensure that any agent or prospective agent is aware that this information will be published while engaging with the company.

This information should be presented in a format that is clear, regularly updated, and sufficiently detailed so as to identify the agent.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

<b>2</b>	The company publishes a list of agents authorised to act for, or on its behalf. This list is published and updated at least once every year to reflect all agents engaged at that time and any agents engaged in the past 12 months. The details should include, at minimum, the name of the agent. The list is accompanied by a statement or other indication that, to the best of the company's knowledge, this list includes all agents currently working for or on behalf of the company.
<b>1</b>	The company publishes a list of agents authorised to act for, or on its behalf; however, this information is lacking in some way. For example: <ul style="list-style-type: none"> <li>• The company publishes an aggregate figure of the number of agents currently employed, or it publishes a basic list that falls short of the minimum level of detail required in score '2';</li> <li>• There is evidence to suggest that the list is incomplete; for example, the list does not appear to reflect all agents currently contracted to work for or on behalf of the company; or it is not accompanied by a statement or other indication that it includes all agents; or</li> <li>• There is evidence that the list is out of date; for example, the list was not published within the past 12 months.</li> </ul>
<b>0</b>	There is no evidence that the company publishes any details of the agents currently contracted to act for or on its behalf.

## 7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?

### Guidance:

This question is looking for evidence that the company collects and publishes data on anti-bribery and corruption inquiries and investigations involving its agents contracted to act for or on behalf of the company. Best practice would advise that companies publish data relating to any ethics and compliance-related issues; however, companies are encouraged to disaggregate the data to show anti-bribery and corruption-related incidents where possible.

Transparency around the results of these investigations, in the form of disciplinary actions, provides a high level indication that the company's anti-bribery and corruption controls function in practice and reflect the company's effective monitoring and oversight of its agents. Publication of this information also provides an industry benchmark to help companies assess their programmes. This information should be limited to high-level data, in other words the reports should be anonymised and summarised in a way that prevents individuals from being identified.

If the company publishes a clear statement that it does not use agents, and the assessor cannot find any evidence to the contrary, this question should be marked N/A.

### Scoring Criteria:

2	The company publishes high-level data from all ethical or bribery and corruption-related incidents and investigations involving its agents. This should include, at a minimum: the number of investigations launched; and the number and types of sanctions applied as a result of investigation findings. This data is published at regular intervals or on at least an annual basis covering cases in the past 12 months.
1	The company publishes some high level information on its ethical, bribery or corruption-related incidents and investigations involving agents, however this data is lacking in some way. For example: <ul style="list-style-type: none"> <li>• There is no evidence to suggest that this ethics and compliance-related data would include details of bribery or corruption related incidents, investigations or disciplinary actions;</li> <li>• The information that the company publishes does not cover all of the specific measures described in score '2'; or</li> <li>• The data does is not updated on at least an annual basis and/or does not cover the past 12 months.</li> </ul>
0	There is no evidence that the company publishes any data on ethical, bribery or corruption-related investigations or the associated disciplinary actions involving its agents.

## 7.2 Joint Ventures

### 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?

#### Guidance:

This question is looking for evidence that the company conducts due diligence on its joint venture partners, which is based on and determined by an assessment of bribery and corruption risks.

Joint ventures are becoming an increasing feature in the defence sector, as companies seek to expand into overseas markets without the constraints of acquisitions or establishing local operations. There are many benefits of this approach: faster market entry, lower costs, local expertise and, in many cases, access to an existing local customer base. However, joint ventures can present a range of bribery and corruption risks. Companies may be contractually required by the purchasing customer to enter into a joint venture with an unfamiliar entity, where the due diligence may reveal that the partner company is state-owned or related to the purchasing customer through other means, thereby increasing the corruption risk. Companies may also enter into and operate in joint ventures in unfamiliar or new markets, meaning that due diligence is an important factor in establishing the context and operating environment for the new entity.

An effective and regular due diligence process can mitigate these risks. Due diligence on joint venture partners should be conducted at several stages in the partnership, including when a preferred counterpart is identified, when the definitive agreement is signed and on an ongoing basis once the joint venture has been established. While focused on identifying high risk partners, the due diligence methodology should be capable of managing large numbers of entities within the available resources.

Due diligence checks should specifically include establishing the ultimate beneficial ownership of the joint venture partner, and be refreshed on a regular basis throughout the lifespan of the joint venture.

If the company explicitly states that it does not enter into or operate in joint ventures, this question should be scored N/A.

#### Scoring Criteria:

2	<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence on all of its joint venture partnerships. At a minimum, the company states that this includes establishing the ultimate beneficial ownership of the partner company, with enhanced due diligence for joint ventures operating in high risk countries or with high risk partners, such as state-owned enterprises. There is evidence that the company conducts anti-bribery and corruption due diligence both prior to entering into a joint venture and on both the entity and its activities once established, at least every two years and/or when there is a significant change in the business relationship.</p>
1	<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering and while operating in a joint venture; however, this is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• There is no evidence that the company conducts due diligence on every joint venture partnership;</li> <li>• It is not clear that the company's due diligence explicitly includes checks on the ultimate beneficial ownership of the partner company;</li> <li>• There is no evidence to suggest that joint ventures operating in high risk markets or with high risk partners, such as state-owned enterprises, are subject to enhanced due diligence; or</li> <li>• The company only conducts due diligence before engaging joint ventures, and does not repeat these checks at least every two years or when there is a significant change in the business relationship.</li> </ul>
0	<p>There is no evidence that the company conducts anti-bribery and corruption due diligence on its joint ventures. Or, there is no evidence that this due diligence includes – and is based on – an assessment of potential bribery and corruption risk.</p>

## 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?

### Guidance:

This question is looking for evidence that the company has measures to establish anti-bribery and corruption policies and procedures in its joint venture relationships from the outset, as part of the process when entering into a joint venture. This commitment is reinforced by a contractual agreement with the joint venture partner, whereby the new entity is required to implement and uphold certain standards of anti-bribery and corruption controls.

A contractual clause is more than just an agreement – it is a critical anti-corruption control. It communicates explicitly the company’s expectations regarding anti-corruption and ethical behaviour, establishes rights and specifies anti-corruption requirements and processes for monitoring, remediation, termination and exit. Audit and termination rights provide companies with formal mechanisms through which they can assure themselves that the counterparties they partner with are also working to implement these controls in practice and are committed to addressing and preventing bribery and corruption in the new entity.

If the company explicitly states that it does not enter into or operate in joint ventures, this question should be scored N/A.

### Scoring Criteria:

<b>2</b>	There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures; for example, by requiring the adoption of its own anti-bribery and corruption programme or by developing a programme jointly with the relevant partner company. The company states that it includes anti-bribery and corruption clauses in its joint venture contracts – and that it will only enter into joint ventures if such contractual clauses are included – at minimum prohibiting foreign and domestic bribery and facilitation payments, as well as specifying clear audit and termination rights to detect, control and prevent breaches.
<b>1</b>	There is evidence that the company commits to establishing and implementing anti-bribery and corruption policies in all of its joint ventures, but it is unclear how the company ensures this in practice. For example, the company does not state that it requires all joint ventures to adopt its own programme or that it works with partner companies to develop a programme. Or, the company states that it accounts for anti-bribery and corruption considerations when entering into a joint venture, but does not specify that it takes steps to detect, control and prevent breaches through the inclusion of audit and termination rights in the contract.
<b>0</b>	There is no evidence that the company commits to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures, and/or there is no evidence that it requires anti-bribery and corruption clauses in its contracts with joint venture partners.

## 7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?

### Guidance:

This question is looking for evidence that the company has practical measures in place to counter bribery and corruption risks in its joint ventures, in addition to policies and procedures where appropriate.

Even where the company may be a minority partner in a joint venture, there are ways to ensure that certain standards of anti-bribery and corruption measures are upheld. For example, a company can stipulate that the Chief Compliance Officer in the joint venture be transferred from or appointed by their own company or report directly to the main company's audit committee. Similarly, companies with more mature ethics and compliance programmes may take the lead in providing tailored anti-bribery and corruption training to employees of the joint venture or may institute a secondment scheme to ensure that high standards are upheld throughout the joint venture's operations. Other such controls could include provisions for real-time access to electronic books and records or a separate internal audit function.

If the company explicitly states that it does not enter into or operate in joint ventures, this question should be scored N/A.

### Scoring Criteria:

2	There is evidence that the company explicitly commits to take an active role in preventing bribery and corruption in all of its joint ventures. There is clear evidence to support the company's commitment, either through practical examples or a statement of possible controls that it may implement, dependent on the context; such controls could include, for example, secondments of staff to the leadership of the joint venture or provision of anti-bribery and corruption training to joint venture staff.
1	There is evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures. However, the company does not provide any further information or practical details to support this statement.
0	There is no evidence that the company commits to take an active role in preventing bribery and corruption in all of its joint ventures. Or, it is unclear whether this commitment applies to all of the company's joint ventures.



# 8. OFFSETS

In this section, 'offsets' in the defence sector are defined as arrangements in which the purchasing government of the importing country obliges the supplying company of the exporting country to reinvest some proportion of the contract in the importing country. The term 'Offset beneficiaries' includes the customer with whom the offset contract is negotiated as well as any business partnerships formed in pursuance of the offset contract. 'Offset brokers' are defined as dedicated agents or intermediaries contracted to negotiate, arrange and give advice on offset contracts on the company's behalf.

## 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?

### Guidance:

This question is looking for evidence that the company has established processes for addressing the corruption risks associated with offset contracting, for example through policies, procedures and contractual terms that increase transparency and accountability in its offset programme. Such measures might include incorporating offset contracting into normal business conduct requirements, business ethics practices and tailored training programmes.

Offsets represent one of the most opaque practices in the defence sector. Many importing governments require offsets when purchasing defence equipment, systems or services, yet the lack of transparency and scrutiny around this practice presents a number of significant corruption risks at each stage of the procurement process. For example, the offset could be tailored to influence the competitive decision for awarding the main contract, the offset itself could function as a bribe, or the offset contract could be inflated to account for or mask the existence of bribes.

Although offset obligations are often determined by the purchasing government, there are steps that defence companies can take to increase transparency and mitigate the associated corruption risks. Formally recognising the corruption risks associated with offsets in the company's policies and procedures is the first step. It is also essential that a dedicated team, body or department is established to provide oversight and monitoring of the company's offset activities; including the number of ongoing and outstanding obligations, the value of these contracts, the deliverables under each obligation, and the specific locations and activities of these agreements. This team should receive dedicated training on the bribery and corruption risks associated with offsets, so that they can effectively monitor the activities and flag risks where they might arise. The company should ensure that these standards are communicated to and implemented among the subcontractors, as well as agreed to by local partners and third parties.

### Scoring Criteria:

2

There is evidence that the company has a policy and procedure in place to address the corruption risks associated with offset contracting and ensures any offset partners adhere to its anti-bribery and corruption standards through appropriate contractual clauses. The company has a dedicated body, department or team responsible for the monitoring and oversight of the company's offset activities throughout the lifecycle of each project. All employees within this body, department or team receive tailored anti-bribery and corruption training based on the potential corruption risks associated with offsets.

Or, the company addresses the corruption risks associated with offset contracting by explicitly stating that it does not enter into contracts that require an offset obligation.

1

There is evidence that the company recognises the corruption risks associated with offset contracting, but there is little evidence that it has a policy and process in place to address these risks. The company has a dedicated body, department or team involved in managing offset obligations, but it is not clear that this team is responsible for monitoring the company's offset activities throughout the lifecycle of each project, and/or there is no evidence that all employees within the team receive tailored anti-bribery and corruption training.

0

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

## 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?

### Guidance:

This question is looking for evidence that the company conducts due diligence on all aspects of its offset obligations, including any brokers and beneficiaries, which is based on and determined by an assessment of bribery and corruption risks.

Companies should take an active role in flagging potential corruption risks to customers where the due diligence raises red flags as a result of inconsistencies within the procurement process, or in situations where the investment appears not to be founded on a legitimate business rationale. It is essential that such checks are conducted on a continuous or regular basis to ensure that the company is aware of any changes or developments in the risk profile of its offset agreements, rather than simply at the signing of the contract. For example, in the process of fulfilling its offset obligations – often over several years – a company may be required to interact with new entities, operate in new markets or undertake activities that may not directly relate to the company’s core functions. This is particularly true for indirect civil offsets.

Due diligence should be conducted on all offset beneficiaries and/or brokers, and as a matter of policy on all new offset beneficiaries. This includes establishing the ultimate beneficial ownership of these brokers and beneficiaries, and such checks should be refreshed on a regular basis throughout the contractual relationship.

If the company explicitly states that it does not enter into offset contracts, this question should be scored N/A.

### Scoring Criteria:

<b>2</b>	<p>There is clear evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations. This process specifically includes checks on the beneficial ownership of any offset brokers or beneficiaries, and any conflict of interest risks associated with the brokers or beneficiaries. As part of this process, the company’s policy also commits to establishing and verifying that the offset obligation proposed is founded on a legitimate rationale. The company refreshes this due diligence at least every two years or whenever there is a significant change in the business relationship or nature of the partner.</p>
<b>1</b>	<p>There is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations; however, this process is lacking in some way. For example;</p> <ul style="list-style-type: none"> <li>• There is no evidence that due diligence includes checks on beneficial ownership and/or conflict of interest;</li> <li>• There is no evidence that the company seeks to assure itself of the legitimacy of the investment; or</li> <li>• There is 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.</li> </ul>
<b>0</b>	<p>There is no evidence that the company conducts due diligence on its offset obligations, or the information provided is sufficiently unclear that it cannot satisfy the requirements of score ‘1’.</p>

## 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?

### Guidance:

This question is looking for evidence that the company makes details of the offset agents and brokers that it employs available to the public. This information should be presented in a format that is clear, regularly updated, and sufficiently detailed so as to identify the name of the broker or consultancy firm, start/end dates of the contract, and nature of the business relationship.

The use of offset brokers and consultancy firms adds an additional layer of complexity to offsets. Although such brokers may be authorised to act on the company's behalf in the same way that other agents may be, their role within the defence procurement process can be quite different in practice. Their functions can range from advisory services to finding and proposing local opportunities for offset, to brokering or negotiating with the purchasing customer.

Publishing details about offset brokers and agents may reduce any corruption risks associated with their use, since any conflicts of interest or irregular activities could be more easily identified. In these circumstances, companies can and should adopt a policy of openness about the offset brokers and agents with which they engage, by routinely publishing a list of those authorised to act for or on behalf of the company. Any company committed to reducing the risks of corruption which arise when intermediaries are engaged has a legitimate interest in maintaining such a list, as an aspect of its legitimate interest in minimising (or seeking to eliminate) the risks of corruption and in pursuing a more transparent way of doing business. Adopting a clear policy and drawing this to the attention of offset brokers and agents will ensure that any agent or prospective agent is aware that this information will be published while engaging with the company.

This information should be presented in a format that is clear, regularly updated, and sufficiently detailed so as to identify the offset brokers and agents.

If the company explicitly states that it does not enter into offset contracts, this question should be scored N/A.

### Scoring Criteria:

2	<p>The company publishes a list of offset agents and brokers authorised to act for, or on its behalf. This list is published and updated at least once every year to reflect all agents engaged at that time and any agents engaged in the past 12 months. The details should include, at a minimum name of the agent. The list is accompanied by a statement or other indication that, to the best of the company's knowledge, this list includes all offset brokers or agents working for or on behalf of the company.</p> <p>NB: A company may publish offset brokers and agents in an integrated list with all agents it employs, so long as it is possible to identify the agents that are used as part of offset business.</p>
1	<p>The company publishes a list of offset brokers or agents that are contracted to act with and/or on behalf of the company's offset programme; however, this information is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The company publishes an aggregate figure of the number of offset agents currently employed, or it publishes a basic list that falls short of the minimum level of detail required in score '2';</li> <li>• There is reason to believe that the list is incomplete; for example, the list does not appear to reflect all offset agents currently contracted to work for or on behalf of the company; or it is not accompanied by a statement that all agents are listed; or</li> <li>• There is evidence that the list is out of date; for example, the list was not published within the past 12 months.</li> </ul>
0	<p>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.</p>

## 8.4 Does the company publish details about the beneficiaries of its indirect offset projects?

### Guidance:

This question is looking for evidence that the company makes details of its offset beneficiaries available to the public. This information should be presented in a format that is clear, regularly updated, and sufficiently detailed so as to identify the name of the beneficiary of each offset project.

In practice, there are two main types of offset proposals: direct and indirect. A direct offset is one that directly relates to the main product or service that the purchasing customer seeks to acquire; for example, this may include a requirement to produce part of the end product in the purchasing country to create jobs and stimulate the economy. An indirect offset is one that is not directly related to the product or service of the main contract. For example, this can include investments in local industries, helping to export goods or supporting infrastructure developments.

While transparency about all offset obligations would be beneficial in promoting clean business practices, indirect offsets are both a higher risk area and less sensitive from the point of view of national security related classification. Since the transfer is not related to the actual product being sold the obligation often falls outside of a company's core capabilities. As a consequence, the company may rely more heavily on experts in the form of offset brokers and may be required to undertake unfamiliar activities in unfamiliar countries or contexts. This therefore increases the opportunities for bribery and corruption at all stages of the procurement process, from negotiation to award to contract delivery.

Transparency around the beneficiaries of indirect offsets would represent an initial, yet significant, step towards mitigating these risks. Scrutiny would improve due diligence checks and beneficial ownership information and give external parties the tools to flag any potential conflicts of interest or irregularities with the offset. Publishing this information also communicates to shareholders and external parties that the company has full and effective oversight and control over its offset activities.

If the company explicitly states that it does not enter into offset contracts, this question should be scored N/A.

### Scoring Criteria:

<b>2</b>	The company publishes details about the beneficiaries of its indirect offset projects, to a sufficient level of detail that the beneficiary may be identified. These details may include, for example: the name of the company or organisation receiving the investment and the country in which the recipient entity is based. This data is updated on at least an annual basis and covers any obligations from the past 12 months or most recently reported financial year.
<b>1</b>	The company publishes a clear statement on its anti-bribery and corruption commitment, however it is lacking in one of the following ways: <ul style="list-style-type: none"> <li>• The information is not published to a sufficient level of detail that the beneficiary may be identified, for example only the project name or type of investment is published;</li> <li>• The company only publishes aggregate information about its indirect offset projects, for example the number of projects currently underway;</li> <li>• It is not clear that these details relate specifically to the beneficiaries of indirect offsets;</li> <li>• There is evidence to suggest that not all of the company's indirect offset projects are included in this list; or</li> <li>• The data is not updated regularly and/or has not been updated within the past 12 months or most recently reported financial year.</li> </ul>
<b>0</b>	There is no evidence that the company publishes any details of its indirect offset obligations and/or contracts.

# **9. HIGH RISK MARKETS**

## 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?

### Guidance:

This question is looking for evidence that the company has enhanced risk management procedures to identify and impose controls to mitigate the corruption risks associated with operating in high risk markets. The company should identify any risk factors in a particular country that increase the company's exposure to bribery and corruption risk and consider the impact of these risks on its activities and anti-corruption controls.

A company's business decisions, particularly when entering into a new market, should be based on an assessment of the risks specifically associated with that market. Such risks include, but are not limited to, level of government regulation, local business customs, corruption case history and the likelihood of corruption within public procurement processes. For instance, bidding for public contracts is an activity likely to be vulnerable to bribery and the risk is heightened if it takes place in a country known to have high levels of corruption. Various different methods and resources can be used to establish a risk profile for each market, as long as clear criteria and sources are apparent. Should a company decide to proceed with operations in the proposed market, it should assure itself that the results of the risk assessments inform the development and implementation of additional due diligence and risk-based controls specific to the context and risk level.

Alternatively, a company can choose to not operate in high risk markets due to the associated corruption risks.

### Scoring Criteria:

<b>2</b>	<p>here is evidence that the company acknowledges the corruption risks associated with operating in different markets, and that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. The company provides examples of such possible controls.</p> <p>Or, the company has an explicitly stated policy of not operating in high risk markets due to the associated corruption risks. In this case, the company provides a definition of the markets that it considers to be at high risk of corruption.</p>
<b>1</b>	<p>There is evidence that the company acknowledges the corruption risks associated with operating in different markets, and that it has a dedicated assessment process in place to assess such risks. However, there is no evidence that this includes clear risk management procedures and/or there is no evidence to suggest that the results of these assessments have an impact on business decisions or trigger the implementation of additional controls.</p>
<b>0</b>	<p>There is no evidence that the company acknowledges the corruption risks of operating in different markets, or there is no evidence that risk assessment procedures are used to inform the company's operations in high risk markets.</p>

## 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)?

### Guidance:

This question is looking for evidence that the company discloses all of its fully consolidated subsidiaries and non-fully consolidated holdings, irrespective of their materiality.

Organisational transparency supports the anti-bribery and corruption programme by contributing to building integrity in the markets in which the company operates and ensuring that its corporate structures are open and do not facilitate corruption. Organisational transparency is important for societies as it counters opaque company structures designed to hide corruption or launder the proceeds of corruption. It allows local stakeholders to identify the companies operating in their territories and bidding for government licences or contracts.

This information should be presented in a format that is clear, updated on at least an annual basis, and sufficiently detailed so as to identify the subsidiary itself and its relationship with the main company.

In this context, the country of operation is the country or countries where a company directly conducts business, including where it possesses assets, employs people and/or generates revenue. Such business can be conducted through the parent company or through consolidated subsidiaries, associates and/or joint ventures. If a company only imports from and/or exports to a given country without a functioning business there, it is not considered a country of operation.

Note that, in many countries, the term “subsidiaries” is a synonym for fully consolidated subsidiaries, whereas in others it can also include non-fully consolidated subsidiaries. It is essential that companies make a distinction between these two different ownership structures in relation to their subsidiaries.

### Scoring Criteria:

2	The company publishes a clear statement on its anti-bribery and corruption commitment, which details the company’s stance against any form of bribery or corruption within the organisation. There is evidence that this commitment was authorised and endorsed by the company’s leadership; for example the Chairman, President or CEO.
1	<p>The company publishes a list of its consolidated subsidiaries and non-fully consolidated holdings, but this data is lacking in some way. For example:</p> <ul style="list-style-type: none"> <li>• The list only includes material (principal/significant/main) subsidiaries, associates and joint ventures, rather than a full list of all the company’s holdings;</li> <li>• The list does not include the percentages owned, country of incorporation and/or countries of operation for each entity;</li> <li>• The list is out of date and/or there is no evidence that it is updated on at least an annual basis; or</li> <li>• The list is not accompanied by a statement or other indication that it is complete at the time of publication, to the best of the company’s knowledge.</li> </ul>
0	There is no evidence that the company publishes a list of subsidiaries or non-fully consolidated holdings; or the detail published is insufficiently detailed to satisfy the requirements of score ‘1’.



## 9.3 Does the company disclose its beneficial ownership and control structure?

### Guidance:

This question is looking for evidence that the company is transparent about its ownership. Complex and opaque corporate structures set up across different jurisdictions; make it easy to hide the beneficial owner, especially when nominees are used in their place and when part of the structure is incorporated in secretive jurisdictions. Many corruption cases involve shell companies. Furthermore, opaque ownership structures can have a detrimental effect on public relations and market value.

A beneficial owner is the natural person who ultimately owns, controls or benefits from a company or trust and the income it generates. The term is used to contrast with the legal entities, nominee shareholders or trustees, all of whom might be registered as the legal owners of an asset without actually possessing the right to enjoy its benefits.

Information should be disclosed if the beneficial owner meets one of the following criteria:

1. The individual holds, directly or indirectly, more than 25% of the shares in the company.
2. The individual holds, directly or indirectly, more than 25% of the voting rights in the company.

Transparency of beneficial ownership and control structures is widely recognised as an integral part of compliance and business integrity. Readily available information can greatly improve and facilitate due diligence on business partners and mitigate corruption risks within the sector.

A company should maintain and publish accurate, current, and adequate information on beneficial ownership. This information should be presented in a format that is clear, updated continuously or at least on an annual basis, and sufficiently detailed so as to allow identification of the beneficial owner.

Adequate information on beneficial ownership requires that all of the following is disclosed: name of the beneficial owner(s); date of birth; address; nationality; a description of how ownership or control is exercised, such as names of chain of companies that demonstrate this person is the final beneficial owner or other means by which the person exercises control over the company.

### Scoring Criteria:

2	<p>The company discloses all beneficial owners with an ownership in the company or voting rights of 25% or above. All individuals or entities are referred to by name, along with their percentage ownership in the company and any accompanying details necessary to identify the natural person as listed in the guidance or as specified by the public register in which it is disclosed. The data needs to be published in an open data format that is machine readable and structured (for example, as a spreadsheet, rather than just a PDF). The beneficial ownership information may be disclosed in a publicly available and freely accessible companies register or in jurisdictions where one is not available, in the global beneficial ownership register Open Ownership, available through <a href="http://www.openownership.org">www.openownership.org</a>.</p> <p>If no natural person owns 25% or more of shares or voting rights, the company needs to state this publically to be awarded a score of '2'.</p> <p>Publicly listed companies – with voting shares admitted to trading on a regulated market in the UK or European Economic Area (other than the UK) or on specified markets in Switzerland, the USA, Japan and Israel – including wholly-owned subsidiaries of publicly listed entities, are not required to disclose information on their beneficial owners and will be awarded a '2'.</p>
1	<p>The company discloses some persons or entities with significant holdings in the company, but either does not disclose sufficiently full details in order to score '2', or does not disclose ownership for all owners with a stake of 25% or higher, or does not disclose details in an open data format, or only discloses its ownership on its website instead of a central public register.</p>
0	<p>The company does not disclose any information about its beneficial ownership or control structure, nor a statement that no individual owns 25% or more of shares or voting rights.</p>

## 9.4 Does the company publish a percentage breakdown of its defence sales by customer?

### Guidance:

This question is looking for evidence that the company publishes information about its largest defence customers, in percentage format, per year.

In almost all cases, the level of risk in a particular market is determined by the depth of transparency and oversight of both the government and the defence industry. Companies operating in countries with very low transparency and oversight inevitably face a much higher risk of corruption. In countries where the military effectively runs the government, or the finance ministry may have no oversight of defence procurement, greater openness is essential to mitigate the risk of corruption. Therefore, the more information that companies proactively put into the public domain, the easier it is for government and other oversight bodies to function effectively.

This information should be presented in a format that is clear, updated on at least an annual basis and sufficiently detailed so as to identify the purchasing customer. If there is clear evidence that a company has only one major customer – for example, some government contractors or state-owned enterprises – the company may receive full marks providing there is evidence to support this position.

### Scoring Criteria:

2	The company publishes a breakdown of its defence sales by customer, in the form of the percentage of its total defence sales by customer per year. To score '2' on this question, the company must disclose the customers of at least 80% of its defence sales, and there must be evidence that this data is correct up to the most recently reported financial year.
1	The company publishes a percentage breakdown of its sales by customer, however this information is lacking in some way. For example: <ul style="list-style-type: none"> <li>• The company discloses the customers that account for 50-80% of its defence sales;</li> <li>• The company publishes a percentage breakdown of its sales, but it is unclear whether these figures represent defence sales or overall company sales; or</li> <li>• The data is not correct up to the most recently reported financial year.</li> </ul>
0	There is no evidence that the company publishes any information about its defence customers, or the company publishes information about its customers that account for less than 50% of its defence sales.

# 10. STATE-OWNED ENTERPRISES [SOES]

For the purposes of this assessment, an SOE is defined as an enterprise where the state has significant control through full, majority or significant minority ownership of 10% of shares or more.

## 10.1 Does the state-owned enterprise publish a breakdown of its shareholder voting rights?

### Guidance:

This question is looking for evidence that the company is transparent about voting power that each of its major shareholders possesses, in relation to their percentage ownership of the company. This information should be published in the form of percentage voting rights, in a way that is clear, updated on an annual basis, and sufficiently detailed so that it is comparable to the company's beneficial ownership information, if disclosed.

For most companies, the share of voting rights that any given shareholder retains will be equal to the number of shares owned. However, in some cases, voting rights and ownership may be disproportionate and thereby increase the company's exposure to undue influence from particular shareholders or state actors. Although all companies should be encouraged to publish this information, it is particularly important that state-owned enterprises maintain transparency in this area. A state-owned company often has an intrinsically close relationship with the ownership entity – in this case, the state – which can expose the company to political interference if not appropriately managed.

Transparency around the relationship between ownership and voting rights provides non-state shareholders with an assurance that their views are being proportionally represented and gives observers the necessary tools to scrutinise the company's decision-making.

If the company is a fully state-owned enterprise and therefore only has one shareholder, as identified in question 9.3 on beneficial ownership transparency, this question should be scored N/A.

If the company is not a state-owned enterprise as defined in this assessment, this question should be scored N/A.

### Scoring Criteria:

<b>2</b>	<p>The company publishes information about its shareholder voting rights, broken down by percentage allocated to each shareholder. At a minimum, it publishes beneficial ownership and voting rights of shareholders with at least 25% of shares or 25% of voting rights. It publishes ownership and voting rights by one or more state entities over 10%. This data is published side-by-side to reflect the relationship between ownership and voting rights.</p> <p>If no natural person owns 25% or more of shares or voting rights, or no state entity owns 10% or more of shares or voting rights, the company needs to state so publically to be awarded a score of '2'.</p> <p>Publicly listed companies – with voting shares admitted to trading on a regulated market in the UK or European Economic Area (other than the UK) or on specified markets in Switzerland, the USA, Japan and Israel – including wholly-owned subsidiaries of publicly listed entities, are not required to disclose information on their beneficial owners and will be awarded a '2' as long as they publish the required voting rights.</p>
<b>1</b>	<p>The company publishes some information about its shareholder voting rights, but this information is incomplete or lacking in some way. For example, specific shareholders are not referred to by name or the thresholds for disclosure are higher than the ones specified in score '2'.</p>
<b>0</b>	<p>There is no evidence that the company publishes details of its shareholder voting rights.</p>

## 10.2 Are the state-owned enterprise's commercial and public policy objectives publicly available?

### Guidance:

This question is looking for evidence that the company is open and transparent about its objectives, both in terms of commercial and public policy aims and mandate.

As a result of their ownership structure, state-owned enterprises often exist to fulfil both commercial and non-commercial objectives. This adds an additional layer of complexity to their operations. State-owned enterprises with public policy objectives – whether well-defined or unclear – are exposed to higher levels of corruption risk than private or public companies, since they are required to interact with policymakers on a necessarily regular and in-depth basis. This relationship, when not properly managed, can expose the company to undue influence by the state or put the SOE in a position of exercising undue influence.

Transparency around the key aims, objective and mandate of state-owned enterprises is therefore an essential mechanism to counter such risks. This information should be published on the company's website in a way that is clear, regularly updated, and sufficiently detailed so as to allow an external observer to discern the company's commercial and public policy objectives in practice.

If the company is not a state-owned enterprise as defined in this assessment, this question should be scored N/A.

### Scoring Criteria:

2	The company's commercial and/or public policy objectives are made publicly available on its website, and are updated on at least an annual basis or whenever there is a change in objectives.
1	The company publishes some information about its commercial and/or public policy objectives, but these are either unclear or there is no evidence that they are updated on at least an annual basis.
0	There is no evidence that the company publishes information on its commercial or public policy objectives.

## 10.3 Is the state-owned enterprise open and transparent about the composition of its board and its nomination and appointment process?

### Guidance:

This question is looking for evidence that the state-owned enterprise makes information about the design and structure of its board available to the public. In particular, it should provide details about the way in which potential board members are nominated, the process for their appointment, and for information about the board members.

One of the ways that a state's influence can manifest in a state-owned enterprise is through influence or control over the appointment of board members. While this characteristic doesn't automatically present a corruption risk, the ability of the state to make decisions in this process can expose the company to heightened risk of undue influence. Publishing details around the criteria for nomination, the company representatives involved in the nomination, and who makes the final appointment decision would mitigate this risk and help ensure appropriately qualified and accountable individuals are selected. Moreover, transparency around the individual members of a company's board – for example, whether that person is a financial beneficiary, an executive, a state representative or an independent director – would also significantly reduce the risk of undue influence.

If the company is not a state-owned enterprise as defined in this assessment, this question should be scored N/A.

### Scoring Criteria:

2	The company publishes clear information about the nomination process, appointment and composition of its board and provides details of its board members. The company discloses details of its nomination process, including the criteria for nomination, which company representatives are involved in the nomination, and who makes the final appointment decision. For each board member, the company discloses whether that person has any connection to the company or the state or is an independent director.
1	The company publishes information about the composition of its board, for example whether each board member is: a financial beneficiary; an executive; a state representative; or an independent director. However, further information about the nomination and appointment process is unclear or not published.
0	There is no evidence that the company makes information about its board members publicly available or, the information disclosed is sufficiently unclear that it cannot satisfy the requirements of score '1'.

## 10.4 Is the company's audit committee composed of a majority of independent directors?

### Guidance:

This question is looking for evidence that the company publishes details of the composition of its executive-level audit committee, in such a way that the assessor can determine the ratio of independent directors.

The composition of executive-level committees in state-owned enterprises should allow for exercise of independent judgement. As executives who do not represent the state, independent directors provide expertise and technical knowledge, and act as a balancing force should there be any attempts by the state to interfere unduly in the governance of the SOE. Such individuals should be free of any conflicts of interest, pecuniary or martial interests, or relationships that could jeopardise – or could be interpreted by stakeholders as jeopardising – their exercise of effective judgement. They should serve on board committees, including the committee that oversees the anti-bribery and corruption programme, the remuneration committee and the audit committee.

In this case, the assessor is looking for evidence that more than 50% of the SOE's audit committee are independent directors; in other words, non-company, non-executive and non-state representative.

If the company is not a state-owned enterprise as defined in this assessment, this question should be scored N/A.

### Scoring Criteria:

2	There is evidence that the company has an executive-level audit committee which is composed of a majority of independent directors; in other words, non-company, non-executive and non-state affiliated. The company can do this by either disclosing the name and/or job title and status (independent or non-independent) of each member.
1	The company publishes a statement that it has an executive-level audit committee which is composed of a majority of independent directors, but there is no evidence of this in practice. In other words, it is unclear, for each member of the committee, whether they are independent or non-independent and/or no job titles are published for each member.
0	There is no evidence that the company's audit committee is composed of majority independent directors; for example, the structure of the company's audit committee is not disclosed or it is disclosed and a majority of directors are not independent. Or, there is no evidence that the company has an audit committee, or there is some evidence that the company has an audit committee but this is vague and/or the committee is not at executive level.

## 10.5 Does the state-owned enterprise have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?

### Guidance:

This question is looking for evidence of an anti-bribery and corruption commitment that is embedded within the company's values and is both endorsed and reinforced by the company's leadership. Tone from the top is critical to the success of the anti-bribery and corruption programme. If board members and senior management do not provide strong, visible and continuing support to countering bribery and corruption, then even the best designed anti-bribery and corruption programme will falter. For the purpose of this question, "company leadership" means the Chair or President, members of the board, the CEO and senior executives at c-suite level or equivalent.

The assessor is looking for evidence of a clear and publicly stated commitment to implement the company's anti-bribery and corruption programme and promote this commitment to stakeholders. It must be clear that this message is embedded in the company's values, and that bribery and corruption will not be tolerated in any form within the organisation. The assessor is also looking for evidence that this commitment is authorised, supported and actively endorsed by the company's leadership. This could take several forms, such as a statement on the company's website signed by a member of the company leadership or the transcript of a speech delivered by such a member at an internal workshop or event.

It is insufficient simply to state that the company and its employees will abide by anti-bribery laws. A commitment to 'integrity', 'high ethical standards' or equivalent statement may qualify for a score of '1' but only when accompanied by direct support from the company leadership and when published alongside evidence that relates directly to company's anti-bribery and corruption policy. An example of this would be a quote from the company CEO specifying the company's commitment to 'high ethical standards' published at the beginning of an Anti-Corruption Policy document.

### Scoring Criteria:

<b>2</b>	There is evidence that the company has a system in place to manage asset transactions, with responsibility held at board-level. Asset transactions, for which a minimum value threshold may be specified, are scrutinised by an audit body. The company states that all transactions are documented, including those between the company and government departments or the military, or if any of the latter make asset transactions on the company's behalf. Financial results from asset acquisitions or disposals are made publicly available in the company financial reports.
<b>1</b>	There is some evidence that the company has a system in place to manage asset transactions, however this procedure is lacking in some way. For example: <ul style="list-style-type: none"> <li>• There is no evidence that responsibility for managing asset transactions is held at board-level, or it is clear that responsibility is not held at board-level;</li> <li>• It is unclear or there is no evidence that asset transactions are subject to scrutiny by an audit body;</li> <li>• It is unclear or there is no evidence that all transactions are documented, including those between the company and government departments or the military; or</li> <li>• The financial results from asset acquisitions or disposals are not published in the company's reports.</li> </ul>
<b>0</b>	There is no evidence that the company has a system in place to manage asset transactions; or the company does not publish any details about its process for managing this; or the information provided is insufficient to satisfy the requirements of score '1'.



# **APPENDIX I: DEFINITIONS**

**Accountability** is the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for reporting their activities and for executing their powers properly. It also includes the responsibility for money or other entrusted property.

**Agents** are defined as individuals or entities authorised to act for, or on behalf of, a company to further its business interests, for example in sales or marketing, and in, or with, a foreign country or foreign entity. Agents pose distinct risks compared to other types of intermediaries, because they are authorised to act on the company's behalf, often with a high level of discretion and minimal oversight, and their activities usually involve close interaction with public officials. The terms agent and broker are often used interchangeably.

An **anti-bribery and corruption programme** is defined here as the company's anti-bribery efforts including values, code of conduct, detailed policies and procedures, risk management, internal and external communication, training and guidance, internal controls, oversight, monitoring and assurance.

An **audit** is defined as an internal or external examination of an organisation's accounts, processes, functions and performance to produce an independent and credible assessment of their compliance with applicable laws and regulations.

A **beneficial owner** is the real person who ultimately owns, controls or benefits from a company or trust fund and the income it generates.

The **board of directors** is the corporate body charged with the functions of governing the enterprise. Directors can be executive or non-executive, dependent on whether that person engages in the day-to-day management of the company, and independent or non-independent, dependent on whether that person holds shares or other interests in the company.

**Bona fide** refers to an act made in good faith without an intention to engage in undue action. The term can be included in policies regarding gifts, hospitality or expenses.

**Bribery** is defined as the offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of money, gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.).

A **code of conduct** is a statement of principles and values that establishes a set of expectations and standards for how an organisation, government body, company, affiliated group or individual will behave, including minimal levels of compliance and disciplinary actions for the organisation, its staff and volunteers.

**Compliance** refers to the procedures, systems or

departments within public agencies or companies that ensure all legal, operational and financial activities are in conformity with current laws, rules, norms, regulations, standards and public expectations.

**Conflict of interest** (CoI) is defined here as a situation where an individual or the entity for which they work, whether a government, business, media outlet or civil society organisation, is confronted with choosing between the duties and demands of their position and their own private interests.

A **cooling-off period** is a time-limited restriction on the ability of former politicians or public officials to accept appointments to positions in the private sector.

**Corruption** is defined as the abuse of entrusted power for private gain. Corruption can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.

**Due diligence** refers to an investigation or audit of a potential business, investment, or individual prior to entering into a business transaction or appointment of individuals.

**Facilitation payments** are defined here as a small bribe, also called a 'facilitating', 'speed' or 'grease' payment; made to secure or expedite the performance of a routine or necessary action to which the payer has legal or other entitlement.

A **gift** is defined as money, goods, services or loans given ostensibly as a mark of friendship or appreciation. A gift is professedly given without expectation of consideration or value in return. A gift may be used to express a common purpose and the hope of future business success and prosperity. It may be given in appreciation of a favour done or a favour to be carried out in the future.

**Hospitality** refers to entertainment given or received to initiate, develop or strengthen relationships, including meals, receptions, tickets to entertainment, social or sports events, and participation in sporting events. The distinction between hospitality and gifts can blur, especially where the giver of the hospitality does not attend and act as a host.

**Incentives** are defined as "payments to employees that are linked to the achievement of set targets designed to motivate people to achieve higher levels of performance". Typically such targets are quantified and measured in terms of outputs, such as production and sales, and profits. Increasingly, targets also include other factors such as safety and quality.

A **joint venture** is a business entity or project created by two or more companies. A joint venture can be temporary for the purpose of fulfilling a contract or part of a long term partnership, and certain companies may be involved in multiple joint ventures at any given time.

**Lobbying** is defined as any activity carried out to influence a government or institution's policies and decisions in favour of a specific cause or outcome. Even when allowed by law, these acts can become distortive if disproportionate levels of influence exist – by companies, associations, organisations and individuals.

**Offsets** in the defence sector are contractual arrangements in which the purchasing government of the importing country obliges the supplying company of the exporting country to reinvest some proportion of the contract in the importing country. This can be done through both direct offsets, i.e. defence-related projects such as sub-contracting, or through indirect offsets, i.e. defence-unrelated enterprises such as purchases of goods or services. In this index, the term 'offset contracting' refers to both direct and indirect offset agreements, or any other terms to indicate such arrangements (e.g. counter-trade agreements).

**Offset beneficiaries**, for the purpose of this assessment, include the customer with whom the offset contract is negotiated; as well as any business partnerships formed in pursuance of the offset contract such as joint ventures.

**Offset brokers**, for the purpose of this assessment, are defined as dedicated third parties who are contracted to negotiate, arrange and provide advice on offset arrangements for or on the company's behalf. These brokers can include agents, intermediaries, marketing or consultancy firms and expert individuals.

**Oversight** is the process of independently monitoring and investigating – internally or externally – the operations and activities of a government agency, company or civil society organisation to ensure accountability and efficient use of resources.

**Political engagement** refers to the ways in which an enterprise contributes to or participates in the political process. This can include but is not limited to activities such as making political contributions, indirect political expenditure, advocacy and lobbying, lobbying through trade associations and other membership bodies, training of public sector officials and political activities related to the workplace.

A **politician** refers to a member of the legislature; an individual who is actively engaged in conducting the business of a government.

A **public official** refers to any person holding a legislative, executive, administrative or judicial office, whether appointed or elected; and any person exercising a public function, including for a public agency or public enterprise.

A **risk assessment** is a systematic and continuing process for identifying and analysing inherent risks to enable an assessment of their likelihood and impact on the enterprise's ability to achieve its commitments and objectives. Within the framework of the risk approach

of the enterprise, the results of anti-corruption risk assessments are used to identify and prioritise risks and to design controls for the anti-corruption programme to be implemented to mitigate the risks.

A **state-owned enterprise (SOE)** is defined broadly as an entity that is owned or controlled by the state that carries out activities that are commercial or for public policy objectives, or a combination of these. For the purposes of a TI-DS methodology, an SOE will be defined as an enterprise where the state has significant control through full, majority or significant minority ownership (OECD 2015).

A **subsidiary** is a company that is owned or controlled by another company, which is usually referred to as the parent company or holding company. **Fully consolidated subsidiaries** are entities which are fully or majority-owned by the parent company. Their financial statements are fully accounted for in the group consolidated financial statements. **Non-fully consolidated holdings** are entities of which the parent company owns (controls) between 20% and 50% and they are consolidated by the equity method.

A **supplier**, for the purpose of this assessment, refers to any company that has a direct business relationship and/or interaction with the main company (sometimes known as tier one or first generation suppliers). A company's **supply chain** refers more broadly to all contracted suppliers, contractors, sub-contractors and vendors.

A **third party**, for anti-corruption purposes, is a prospective or contracted business associate, including agents, distributors, lobbyists, brokers, consultants and other intermediaries, joint venture and consortia partners, contractors, vendors and suppliers.

**Transparency** means being open in the clear disclosure of information, rules, plans, processes and actions. As a principle, public officials, civil servants, the managers and directors of companies and organisations, and board trustees have a duty to act visibly, predictably and understandably to promote participation and accountability and to allow third parties to easily perceive what actions are being performed.

**Whistleblowing** involves a disclosure in the public interest by an employee, director or external person, in an attempt to reveal neglect or abuses within the activities of an organisation, government body or company (or one of its business partners) that threaten public interest, its integrity and reputation.

