

# DEFENCE COMPANIES ANTI-CORRUPTION INDEX (DCI) 2019

## QUESTIONNAIRE AND MODEL ANSWERS

**\*DRAFT\***

Transparency International Defence and Security (TI DS) has identified 10 key areas where increased transparency and public disclosure of information could reduce corruption risks in the defence industry:

1. Leadership and Organisational Culture .....	2
2. Internal Controls.....	4
3. Support to Employees.....	7
4. Conflict of Interest .....	10
5. Customer Engagement .....	12
6. Supply Chain Management .....	15
7. Third Parties.....	18
8. Offsets .....	22
9. High Risk Markets.....	24
10. State-Owned Enterprises (SOEs).....	26
Appendix I: Definitions.....	28
Appendix II: Additional Information.....	30

### Selection criteria:

The 2019 edition of the DCI will assess 145 defence companies across 35 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 Defence Industry Weekly's Top 100 defence companies.
- 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:

<b>2</b>	Full marks; i.e. the company meets high standards or best practice requirements.
<b>1</b>	Half marks; i.e. the company somewhat meets the required standards, but falls short in some way.
<b>0</b>	No marks; i.e. the company does not demonstrate that it meets the required standards.

## 1. Leadership and Organisational Culture

<b>1.1 Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised at the senior level?</b>	
<b>2</b>	The company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of bribery or corruption within the organisation. It is clear that this commitment was authorised and endorsed by the company's senior leadership (i.e. CEO or Chairman in most cases).
<b>1</b>	The company has a publicly stated anti-bribery and corruption statement, however this statement is weak, indirect or unspecific in some way. For example, it makes a general commitment to comply with anti-bribery laws. Or, the company publishes a clear anti-bribery and corruption commitment, but this is authorised and/or supported by a senior figure other than the leadership (i.e. not the CEO, President or Chairman).
<b>0</b>	The company has a publicly stated commitment to 'integrity' and 'high ethical standards' but does explicitly mention anti-bribery and corruption. Or, the company makes a general anti-bribery and corruption commitment which is not authorised or supported by a senior figure. Or, there is no evidence of a commitment to ethical or anti-bribery and corruption standards.

<b>1.2 Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following: a) All employees, including staff and leadership of subsidiaries and other controlled entities, b) All board members, including non-executive directors</b>	
<b>2</b>	The company publishes an explicit anti-bribery and corruption policy, which makes specific reference to the prohibition of 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), regardless of their seniority.
<b>1</b>	The company publishes an anti-bribery and corruption policy. However it is weak or 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 specify that it includes bribery, payments to public officials, commercial bribery, and/or facilitation payments;</li> <li>– The company's policy does not apply to all groups of employees as specified in (a) and (b).</li> </ul>
<b>0</b>	The company does not publish an explicit anti-bribery and corruption policy. Or, the policy does not explicitly apply to at least all employees.

<b>1.3 Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?</b>	
<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, along with the results of internal and external audits, and ensuring that required changes 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 or the results of internal and external audits.
<b>0</b>	There is no evidence that the company has a designated board committee or individual board member responsible for 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?**

<b>2</b>	There is clear 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 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.
<b>1</b>	There is evidence that a managerial-level individual has been assigned ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme, but he/she is not a senior executive and/or does not have an explicit direct reporting line to the board or board committee that provides oversight of the anti-bribery and corruption programme.
<b>0</b>	There is no evidence that a specific 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?

2	There is evidence that the company has a formal bribery and corruption risk assessment procedure, which is conducted across the company's operations either continuously or on at least an annual basis. The results of risk assessments are reviewed by both management and the board, and are used to develop tailored mitigation plans to minimise the risk from the identified areas. There is evidence that the results of such reviews are then used to update specific parts of the company's anti-bribery and corruption programme.
1	There is evidence that the company has a formal corruption and bribery risk assessment procedure, but this is weak or lacking in some way. For example: risk assessments are not explicitly conducted across the company's operations; assessments are not conducted continuously or on an annual basis, or the frequency is unclear; or there is no evidence that the results are reviewed by management or the board, or that these are used to make improvements to the anti-bribery and corruption programme.
0	There is no evidence that the company has a formal risk assessment procedure which is used to inform the company's anti-bribery and corruption programme.

### 2.2 Does the company review its anti-bribery and corruption risk assessment procedure and update it when gaps and issues are identified?

2	There is evidence that the company reviews its anti-bribery and corruption risk assessment and updates the assessment procedure on the basis of these results. Anti-bribery and corruption risk assessment reviews may form part of broader risk assessment reviews, as long as it is stated as a specific component. The company commits to conducting these checks on a continual basis, with a review of the procedure at least every three years.
1	There is evidence that the company reviews its anti-bribery and corruption risk assessment procedure, but there is no evidence that the procedure is updated to reflect these results. Anti-bribery and corruption risk assessment reviews may form part of broader risk assessment reviews, as long as it is stated as a specific component. It is unclear how regularly the company reviews its risk assessment, or the company does not commit to reviewing its risk assessment procedure continually with an update at least every three years.
0	There is no evidence or the company does not explicitly mention that it reviews its anti-bribery and corruption risk assessment procedure.

### 2.3 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?

2	The company clearly states that its entire anti-bribery and corruption programme is subject to a regular audit process (or equivalent wording, e.g. "assurance") to ensure the programme is consistent with high standards of best practice and the business risks facing the company. This explicitly 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.
1	The company states that its anti-bribery and corruption programme is subject to internal or external audit to ensure the programme is consistent with high standards of best practice and the business risks facing the company, but it does not specify that the entire programme is audited. Or, the company has a clear internal auditing process that takes place at least on an annual basis, but it does not explicitly cover the entire programme, or remains unclear for some other reason. Or, the company's anti-bribery and corruption programme is subject to regular internal audit, but it is unclear or there is no evidence that audit findings are presented to the board, or the ownership of this process is unclear, or there is no evidence that this process results in updates to the programme.
0	The company does not clearly state that its anti-bribery and corruption programme is subject to audit. Or, the company does not clearly state how frequently audits are conducted or whether the findings are used to update the programme.

**2.4 Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?**

2	The company publicly commits to investigating incidents promptly, independently and objectively. There is evidence that the company takes steps to ensure the independence of its investigations, e.g. through provisions to report to an independent board member or committee rather than functionally reporting into, directly or indirectly, the chain of management involved in the subject matter under investigation. It commits to establishing root causes, putting in place remediation plans and reporting investigative findings to senior management and the board. For whistleblowing cases, there is a procedure in place that stipulates documentation and actions to be taken at every step of the case, 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 receives and reviews summary information of all incidents and their status in the organisation and its subsidiaries, on at least a quarterly basis.
1	The company publicly 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: <ul style="list-style-type: none"> <li>– It does not cover the whole investigation process from receipt to final outcome;</li> <li>– It is unclear or there is no evidence that investigations are handled by an independent team and/or report to an independent board member;</li> <li>– There is no commitment to providing whistleblowers with updates on the outcome of investigations;</li> <li>– There is no evidence that the information on each investigations is documented;</li> <li>– No summary information is reviewed by a central body, or the central body reviews the status of investigations less frequently than on a quarterly basis.</li> </ul>
0	The company does not have a publicly stated procedure for dealing with bribery and corruption allegations, incidents or whistleblowing reports.

**2.5 Does the company have appropriate arrangements in place to ensure the quality of investigations?**

2	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 investigations are overseen by an appropriate senior management officer, e.g. head of internal investigations, head of audit, or legal counsel, and a procedure is in place to handle the escalation of complaints. The investigations procedure is subject to review on at least an annual basis.
1	There is evidence that the company assures itself of the quality of its internal investigations. However the assurance process is lacking in some way, for example: <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 appropriate level or function within the company.</li> </ul>
0	The company does not clearly state that its anti-bribery and corruption programme is subject to audit. Or, the company does not clearly state how frequently audits are conducted or whether the findings are used to update the programme.

**2.6 Does the company's investigative procedure include a commitment to report material findings to the board and any criminal conduct to the relevant authorities?**

2	The company explicitly commits to report material findings 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 found necessary.
1	The company commits to report material findings 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 is evaluated and acted upon if necessary.
0	The company's investigative procedure does not include a commitment to report material findings to the board or any criminal conduct to the relevant authorities.

**2.7 Are high-level results from incident investigations and disciplinary actions against company employees publicly reported?**

2	The company publishes high-level data from ethical or bribery and corruption-related incident investigations that 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 terminations as a result of investigation findings. Data is published at a regular intervals, and/or at least on an annual basis.
1	The company publishes high-level data on ethical incidents, but doesn't provide the level of detail specified in score '2' or doesn't disaggregate investigations into those received through whistleblowing channels and those received through non-whistleblowing channels. Or, the data isn't published at least on an annual basis.
0	The company doesn't publish any data on ethical or anti-corruption and bribery investigations or disciplinary actions.



### 3. Support to Employees

<b>3.1 Does the company provide basic training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?</b>	
<b>2</b>	The company provides training - either standalone or embedded in other courses - that outlines the basic principles of the anti-bribery and corruption policy and the whistleblowing options available to employees. This training is provided to all employees across all divisions and geographies, and in all appropriate languages. The company states that this training is refreshed at least every three years.
<b>1</b>	The company provides a training module that explains the basic principles of the anti-bribery and corruption policy and the whistleblowing options available to employees. However, this training is not systematically provided to all employees across all geographical regions of operation, or in all appropriate languages. Or, it is unclear how regularly training is conducted, or there is evidence that it is only provided 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.

<b>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) Board members, c) Middle management</b>	
<b>2</b>	The company explicitly states that it tailors its anti-bribery and corruption training programme to the different levels of risk facing employees working in different positions. High risk positions can include sales, government liaison or accounting for example, while board members must receive additional training on providing oversight and setting the right tone from the top. Middle management are also highlighted due to their role in conveying the tone from the top, providing day-to-day advice and being the first point of contact for employee issues. There is evidence that the company provides additional and/or tailored training to all three high-risk categories of employees listed in this question. The company states that this training is refreshed on at least an annual basis.
<b>1</b>	The company states that employees in certain positions receive different or tailored anti-bribery and corruption training, but either these positions are unclear or do not explicitly include all three categories of employee listed in this question. Or, the company states that this training is provided regularly, but does not specify that this is refreshed on at least an annual basis.
<b>0</b>	There is no evidence that the company provides tailored training to employees working in high risk positions.

<b>3.3 Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?</b>	
<b>2</b>	There is evidence that the company measures or reviews the effectiveness of its anti-bribery and corruption communications and personnel training programme. There is evidence that the company has a system to do this, e.g through dedicated questions in staff surveys, KPIs measuring effectiveness, scenario-testing interactions, audits, or face-to face conversations. The company commits to assuring itself of this on a continual basis, with a review of how this process is conducted on at least an annual basis. It is clear 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.
<b>1</b>	There is some evidence that the company reviews its anti-bribery and corruption communications and personnel training programme. However, this is weak or lacking in some way, for example: <ul style="list-style-type: none"> <li>– The measures are too simplistic (e.g. number of personnel trained or completion rates);</li> <li>– The company does not assure itself of this or review its communications and training programme on at least an annual basis;</li> <li>– It is unclear or there is no evidence that this information is used to update specific parts of the company's anti-bribery and corruption communications and training programme.</li> </ul>
<b>0</b>	There is no evidence that the company measures or reviews its anti-bribery and corruption communications or personnel training programme.

**3.4 Does the company ensure that its employee incentive schemes are aligned with and do not inadvertently undermine its anti-bribery and corruption commitment?**

2	The company's approach to employee incentives goes beyond exclusively profit-driven targets to include a range of performance-based elements (e.g. employee appraisals, ethical conduct), which limit the incentive for corrupt practices. The company explicitly states that any financial performance-based incentives are awarded based on a proportion of the employee's salary, rather than a proportion of a particular defence contract. This applies to all employees, with specific reference to those working in high-risk positions.
1	The company's approach to incentives makes some reference to anti-bribery and corruption principles. However, this is weak or unclear in some way, for example: <ul style="list-style-type: none"> <li>– There is no evidence to suggest that incentives are calculated based on both the achievement of both financial targets and performance-based targets;</li> <li>– Incentives not explicitly stated to be limited so as to be proportionate to the employee's salary;</li> <li>– The policy does not explicitly apply to all employees and/or does not specifically mention high-risk employees.</li> </ul>
0	The company's approach to incentives is not mentioned in the context of the company's anti-bribery and corruption programme, or the information provided by the company is so weak that it cannot satisfy the requirements of score '1'.

**3.5 Does the company explicitly 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?**

2	The company clearly states that any employee who refuses to act unethically in keeping with the company's anti-bribery and corruption policy will be protected and supported, even where such actions result in a loss of business or another disadvantage to the company. The company commits to measure its employees' belief in this commitment through anonymised surveys or other clearly stated means.
1	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 pledges to assess the effectiveness of this commitment through anonymised surveys or other clearly stated means.
0	There is no evidence that the company commits to support or protect employees who refuse to act unethically. Or, this commitment is weak or unclear, and does not specify that it will support employees even where such actions result in a loss to the company.

**3.6 Does the company have an explicit policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?**

2	The company promotes a clear policy of non-retaliation against both whistleblowers and employees that report bribery and corruption incidents. This policy explicitly applies to all employees across the organisation, including those employed by the group as third parties, suppliers and joint venture partners. The company explicitly commits to assure itself of employees' belief in this commitment through surveys or other clearly stated means. This may include monitoring the usage statistics of whistleblowing channels or conducting independent anonymised employee surveys.
1	The company promotes a clear policy of non-retaliation against both whistleblowers and employees who report bribery and corruption incidents that explicitly 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' belief in this commitment through surveys, usage data, or other clearly stated means.
0	The company does not have a publicly available policy of non-retaliation against whistleblowers or employees who report bribery and corruption incidents. Or, the policy does not explicitly refer to both whistleblowers and employees who report bribery and corruption incidents, or does not apply company-wide.



**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?**

2	<p>The company has multiple channels to report instances of suspected corrupt activity and seek advice on the company's anti-bribery and corruption programme. Channels are sufficiently varied to allow the employee to raise concerns across the management chain and to relevant external bodies. 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.</p>
1	<p>The company has some whistleblowing and advice channels, but they fall short in some way. For example:</p> <ul style="list-style-type: none"> <li>– There are no explicitly anonymous or confidential channels;</li> <li>– The company only offers internally operated channels;</li> <li>– There are only whistleblowing channels and no advice channels;</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>
0	<p>The company does not have a publicly available policy of non-retaliation against whistleblowers or employees who report bribery and corruption incidents. Or, the policy does not explicitly refer to both whistleblowers and employees who report bribery and corruption incidents, or does not apply company-wide.</p>

## 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?

#### Scoring Guidance :

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 any 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.

<b>2</b>	The company formally addresses conflict of interest as a corruption risk, and has a clear policy that defines conflicts of interest, including actual, potential and perceived conflicts. The policy explicitly covers at least all of the categories of possible conflicts listed in the question. This policy explicitly applies to all employees and board members, including those of subsidiaries and other controlled entities.
<b>1</b>	The company has a policy for conflicts of interest, but it is weak or 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 covered under its policy;</li> <li>– Or the policy does not explicitly apply to all employees and board members.</li> </ul>
<b>0</b>	The company does not have a clear conflict of interest policy as part of its anti-bribery and corruption programme.

### 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?

<b>2</b>	The company has clear procedures to identify, declare and manage conflicts of interest, actual, potential and perceived. The company states that all employee and board member declarations of potential conflicts of interest are recorded in a dedicated register. Potential or actual conflict of interest declarations are reviewed and overseen by a designated body with accountability for its implementation and handling of individual cases. These procedures also list criteria of recusals and application of punitive measures for breaches of the policy.
<b>1</b>	The company has procedures to identify, declare and manage conflicts of interest, actual, potential and perceived, however this is lacking in some way. For example: <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;</li> <li>– There is no evidence or mention of a specific body with oversight and accountability for handling individual cases;</li> <li>– The policy does not list criteria for recusals or for the application disciplinary measures for breaches of the policy.</li> </ul>
<b>0</b>	There is no evidence of procedures to manage conflict of interest or of their oversight. Or, these procedures are sufficiently weak that they cannot satisfy the requirements of score '1'.

**4.3 Does the company have a policy and procedure regulating the appointment of directors and employees from the public sector?**

2	The company has a publicly available policy which includes controls to assess and regulate employment and offers of employment to current and recently departed public officials. This policy 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 moved/is moving from, and their prospective role in the company. This can include, but is not limited to, roles involving procurement or regulatory decisions. 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 who have been identified as posing an actual, potential or perceived conflict of interest. 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 clear restrictions on their activities.
1	The company has a policy - either standalone or as part of an overall conflict of interest 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.
0	There is no evidence that the company has a policy regulating the employment of current or former public officials.

## 5. Customer Engagement

### 5.1 Community Engagement, Donations and Sponsorships

<b>5.1.1 Does the company have a clearly defined policy and/or procedure covering political contributions?</b>	
<b>2</b>	The company has a clear policy that it does not make political contributions, to ensure that these payments are not used as vehicles for bribery and corruption. Political contributions by itself or by any other entity or individual acting on the company's behalf are prohibited under any circumstance. It is insufficient for the company to state that it complies with relevant laws and regulations, or to state that in practice it has not made political contributions. This policy applies to all employees and board members, all entities controlled by the company and any third parties or agents acting on behalf of the company.
<b>1</b>	The company has a policy and/or procedure on political contributions, to ensure that these payments are not used as vehicles for bribery and corruption. Political contributions are generally prohibited, but are stated to be permissible in certain circumstances - providing that proper authorisation is given from individuals with legal expertise in the company. This policy applies to all employees, board members, third parties and other entities controlled by the company.
<b>0</b>	The company has a policy on political contributions, however this is weak or lacking in some way. For example, <ul style="list-style-type: none"> <li>– The policy explicitly states that political contributions are permitted with no exceptions, or there are exceptions but they are unclear;</li> <li>– Where political contributions are permitted, there is no evidence to suggest that authorisation from an individual with legal expertise is required;</li> <li>– The policy does not explicitly apply to all employees, board members, third parties and/or other entities controlled by the company;</li> <li>– The company does not have a policy on political contributions, or does not mention such payments in relation to anti-bribery and corruption.</li> </ul>

<b>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?</b>	
<b>2</b>	The company publishes full information of its political contributions, including details of the recipient, amount, country of recipient and the name of the corporate entity that made the contribution. The data is correct and updated on at least an annual basis. Or, the company publishes a clear statement that it does not make any political contributions under any circumstances.
<b>1</b>	The company publishes full information of its political contributions, including details of the recipient, amount, country of recipient and the name of the corporate entity that made the contribution. However, the data is not updated on at least an annual basis.
<b>0</b>	The company does not disclose full details of its political contributions. Or, the data published is insufficiently detailed to satisfy the requirements of score '1'.

<b>5.1.3 Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, and does it publish details of all such donations made by the company and its subsidiaries?</b>	
<b>2</b>	The company has a clear policy and/or procedure covering charitable donations and sponsorships, to ensure that such donations are not used as vehicles for bribery and corruption. The policy does not explicitly apply to all employees, board members, all entities controlled by the company and any third parties or agents acting on behalf of the company. The company also publishes full information of all charitable donations made, including details of the recipient, amount, country of recipient and which corporate entity made the payment. The data is updated and released on at least an annual basis. Or, the company publishes a clear statement that it does not make charitable donations or sponsorships under any circumstances.
<b>1</b>	The company has a policy and/or procedure covering charitable donations, but this is weak or lacking in some way. For example: <ul style="list-style-type: none"> <li>– The policy is vague or insufficiently detailed to fulfil the requirements of score '2';</li> <li>– The policy does not explicitly apply to all employees, board members, or any other entities controlled by the company;</li> <li>– The company publishes full information of all charitable donations, including details of the recipient, amount, country of recipient and which corporate entity made the payment, but this data is not updated on at least an annual basis.</li> </ul>
<b>0</b>	The company does not have a publicly available policy and/or procedure covering charitable donations. Or, the company does not publish full details of its charitable donations.

## 5.2 Political Engagement

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

2	The company has a policy/procedure defining lobbying and setting 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. It 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). It is not sufficient merely to state that the company complies with all relevant laws and regulations. This policy and/or procedure applies to all employees, board members and third parties lobbying on the company's behalf.
1	The company has a policy and/or procedure on lobbying, but it is weak or lacking in some way. For example: <ul style="list-style-type: none"> <li>– Lobbying and/or responsible lobbying is not defined;</li> <li>– The company's policy is unclear and/or does not mention certain standards of conduct or specific oversight mechanisms;</li> <li>– Specific controls or guidelines are not provided or are unclear;</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>
0	The company does not have a policy/procedure on lobbying.

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

#### Scoring Guidance :

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.

2	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.
1	The company publishes limited information on the topics on which it lobbies. The information provided is incomplete or out of date. There are no supporting details in the data on the aims and significant topics or the activities that were carried out.
0	The company does not publish any information on its lobbying aims, topics or activities.

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

#### Scoring Guidance :

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.

2	The company provides details of all of its lobbyists and lobbying expenditure, up to the most recently reported financial year. The details of lobbyists include, at minimum, the names of external and association lobbyists. Expenditure data is broken down by corporate entity, geography, internal lobbyists v external lobbyists v association lobbying and an explanation of how the figures in the data have been calculated.
1	The company provides limited details of lobbyists and lobbying expenditure. For example, the company does not disclose the names of its external and association lobbyists, and/or the expenditure data does not include all details mentioned in score '2'. This could include a summary of total expenditure and/or no information on the methodology used to calculate expenditure). Or, the data is not correct up to the most recently reported financial year.
0	The company does not provide any details about its lobbyists or lobbying expenditure.

**5.2.4 Does the company commit to responding openly about details of meetings with senior government representatives to relevant authorities when requested?**

2	The company publicly commits to keep records of details of any or all meetings held with senior government representatives and to disclose this to relevant authorities, upon request. This includes any information relating to meetings involving any employees, board members, or other representatives acting on the company's behalf. At minimum, the details of such meetings should include the name, date, venue; job role and department of both the minister and the company representative; and the topic or specific legislation discussed in the meeting.
1	The company publicly commits to keep records and disclose details relating to meetings held with senior government representatives to relevant authorities on request. However, this commitment is lacking in some way, for example: <ul style="list-style-type: none"> <li>– The company makes a general commitment to disclose information about meetings between its employees and senior government representatives, but does not specify the type or level of detail that would be disclosed;</li> <li>– The company commits to disclose some of this information but states that some details will be limited or kept secret;</li> <li>– The company does not provide a definition of government representatives or does not indicate the level of government meeting this relates to;</li> <li>– The company does not specify that this applies to all meetings held by all company employees, including board members and other representatives acting on behalf of the company's interests.</li> </ul>
0	The company does not commit to disclose details about meetings with senior government representatives.

**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?**

2	The company has a publicly available policy on the giving and receipt of gifts and hospitality with clear procedures designed to ensure that such promotional expenses are bona fide and not used for bribery. 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, e.g. by specifying a different financial threshold. The company's policy is accompanied by a clear statement that all gifts and hospitality above certain thresholds are recorded in a central register.
1	The company has a publicly available policy on the giving and receipt of gifts and hospitality, but the policy is lacking in some way. For example: <ul style="list-style-type: none"> <li>– The policy does not specify any set financial or proportional limits on promotional expenses;</li> <li>– The policy does not specify different approval procedures for different types of promotional expenses;</li> <li>– The policy does address the risks associated with gifts and hospitality given to/received from domestic or foreign public officials;</li> <li>– There is no evidence that all gifts and hospitality above a certain threshold are recorded in a central register.</li> </ul>
0	There is no publicly available policy or procedure on gifts or hospitality.

**5.3.2 Does the company disclose its gifts and hospitality register to the relevant governments in all jurisdictions in which it operates?**
*Scoring Guidance :*

If there is no evidence that the company has a gifts and hospitality register, this question should be scored N/A.

2	The company explicitly states that it shares its gifts and hospitality register with all relevant governments in the jurisdictions in which it operates, i.e. any governments with which the company (through its employees, subsidiaries or any other entities working on behalf of the company's interests) has a business relationship.
1	The company states that it shares its gifts and hospitality register with relevant governments, however this commitment is unclear or lacking in some way. For example, it does not specifically mention that this information is shared with all governments that it interacts with, or that it applies to any gifts or hospitality through employees, subsidiaries, or any other entities working on behalf of the company's interests.
0	There is no evidence that the company shares or commits to share its gifts and hospitality records with the governments with which it interacts.



## 6. Supply Chain Management

For the purpose of this assessment, a supplier in 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 in this assessment refers to all contracted suppliers, contractors, sub-contractors and vendors.

### 6.1 Does the company explicitly require the involvement of its procurement department in the establishment of all new supplier relationships, and oversight of its supplier base?

2	There is clear evidence that the company requires the involvement of its procurement department in supplier relationships. The company states that the procurement department is responsible for establishing all new supplier relationships, and for providing oversight of the company's supplier base. The company assures itself of the procurement department's involvement in all supplier relations through clearly stated means, such as an audit, on at least an annual basis.
1	There is evidence that the company's procurement department is involved, in some capacity, in supplier relationships. However, the company does not explicitly state that the procurement department is the main body responsible for establishing all new supplier relationships and/or for providing oversight of the company's supplier base. Or, there is no evidence that the company assures itself of the procurement department's involvement on at least an annual basis.
0	There is no evidence that the company requires the involvement of its procurement department in the establishment and/or oversight of its supplier base.

### 6.2 Does the company ensure that all of its contracted suppliers have an adequate standard of anti-bribery and corruption policies and procedures in place?

2	There is evidence that the company ensures that all of its contracted suppliers have adequate anti-bribery and corruption policies and procedures in place. It is explicitly stated that all suppliers must have, at least, 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. The company ensures this by either requiring that all suppliers adopt and follow its own anti-bribery policies and procedures, or by assessing suppliers' anti-bribery and corruption programme and ensuring additional measures are implemented where gaps are identified. The company regularly assures itself of this either every two years or when there is a significant change in the business relationship.
1	There is some evidence that the company ensures that its contracted suppliers have adequate anti-bribery and corruption policies and procedures in place, but this is weak or lacking in some way. For example: <ul style="list-style-type: none"> <li>– The company does not explicitly 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 &amp; hospitality, or whistleblowing;</li> <li>– It is not clear whether the company assures itself of this for all suppliers;</li> <li>– The company does not state or it is unclear whether the company does this by requiring suppliers to adopt its own policies, or by conducting in-depth assessments and/or audits of each suppliers' anti-bribery and corruption programme;</li> <li>– It is unclear or not specified that these checks are conducted at least every two years or when there is a significant change in the business relationship.</li> </ul>
0	There is no evidence that the company ensures that its contracted 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 anti-bribery and corruption measures.

### 6.3 Does the company insist that its suppliers require all sub-contractors to have formal and publicly declared anti-corruption programmes in place that adhere to minimum standards established by the main contractor?

2	The company insists that its sub-contractors have formal and publicly declared anti-corruption programmes in place and that the substance of its anti-corruption and bribery programme and standards are included in subcontracts throughout the supply chain.
1	The company insists that the substance of its anti-corruption and bribery programme and standards are required of sub-contractors throughout the supply chain. However, it is unclear how the company does this in practice.
0	There is no evidence that the company insists that the substance of its anti-corruption and bribery programme and standards are required throughout the supply chain

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

2	The company has formal procedures to conduct risk-based due diligence before engaging with any suppliers. The due diligence process explicitly includes establishing the ultimate beneficial ownership of the supplying company. Highest risk suppliers are explicitly stated to be subject to enhanced due diligence. This process is conducted at least every 2 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, e.g. where beneficial ownership cannot be established.
1	The company has formal procedures to conduct due diligence on its suppliers. However, the procedures are lacking in some way. For example: <ul style="list-style-type: none"> <li>– Due diligence is only conducted on certain types of suppliers;</li> <li>– Due diligence does not include checks on, at least, ultimate beneficial ownership;</li> <li>– There is no evidence to suggest that highest risk companies are subject to enhanced due diligence;</li> <li>– Due diligence is only conducted before engaging with new suppliers and is not repeated regularly, or the frequency of these checks is unclear;</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	The company does not state that it conducts due diligence on its supply chain. Or, the company simply states that it conducts due diligence on its suppliers, without providing any further details.

#### 6.5 Does the company require anti-bribery and corruption clauses in its contracts with suppliers?

2	The company explicitly states that all of its suppliers are subject to anti-bribery and corruption clauses in their contracts with the company. It is insufficient to state that all suppliers are required to comply with all relevant laws and regulations. The company states that all of its contracts with suppliers include provisions for audit rights and termination rights.
1	The company includes anti-bribery and corruption clauses in its contracts with suppliers. It is insufficient to state that all suppliers are required to comply with all relevant laws and regulations. However, this is weak or lacking in some way, for example: <ul style="list-style-type: none"> <li>– There is no evidence that anti-bribery and corruption clauses are systematically included in all contracts with third parties;</li> <li>– These clauses do not explicitly apply to all suppliers or only apply to certain types of supplier;</li> <li>– There is evidence to suggest that these clauses include specific controls to prevent and detect breaches, but it is unclear whether this includes audit and termination rights.</li> </ul>
0	The company does not include anti-bribery and corruption clauses in its contracts with suppliers, or the clauses do not include any specific controls to prevent and detect breaches. Or, the policy either does not apply to all types of suppliers.

#### 6.6 Does the company declare and publish details of all suppliers with which it has an active business relationship?

2	The company publishes full details of all suppliers used in the conduct of business. This information includes: company name, product and/or service provided, and the start (and end, if temporary) dates of relationship. This information is published by the company either regularly or at least on an annual basis.
1	The company publishes some details of all suppliers used in the conduct of business. However, the information is lacking in some way. For example: <ul style="list-style-type: none"> <li>– The list published is incomplete or not updated on at least an annual basis;</li> <li>– The information published is insufficient (i.e. does not include company names, produce and/or service provided, start date of relationship, or services rendered).</li> </ul>
0	The company does not publish any details of its contracted suppliers.

**6.7 Are high-level results from incident investigations and disciplinary actions against contracted suppliers publicly reported?**

<b>2</b>	The company publishes the high-level results on all ethical and corruption or bribery-related incidents relating to its immediate suppliers that include, at a minimum: the number of investigations launched and the number of terminations as a result of investigation findings. Data is published at a regular interval, on at least an annual basis.
<b>1</b>	The company publishes data on ethical incidents, but either doesn't mention that this includes corruption and bribery or doesn't provide either of the specific measures described under '2'. Or, the data isn't published regularly as specified.
<b>0</b>	There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations, or the associated disciplinary actions.

## 7. Third Parties

### 7.1 Agents and Intermediaries

7.1.1 Does the company have a clear policy on the use of agents?	
2	The company has an explicit policy to not use agents in the conduct of business, due to the associated corruption risks. This policy applies to all divisions within the organisation, including all subsidiaries and joint ventures.
1	The company has a clear policy covering the use of agents, with specific controls identified to mitigate the associated corruption 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, but it is unclear or not specified whether it also applies to subsidiaries and joint ventures.
0	The company does not explicitly state that it does not use agents, and/or does not have a clear policy covering the use of agents. Or, the company's policy does not include provisions to ensure that the use of an agent is, in each case, necessary to perform a legitimate business function.

7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its third parties and/or agents?	
2	The company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging and/or re-engaging any third parties and agents, at least every 2 years and when there is a significant change in the business relationship. This includes establishing the ultimate beneficial ownership of the third party. All agents and highest risk third parties are subject to enhanced due diligence.
1	The company has formal procedures 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>– Due diligence is only conducted on certain types of third parties;</li> <li>– Due diligence does not include checks on ultimate beneficial ownership;</li> <li>– Agents and high risk third parties are not subject to enhanced due diligence;</li> <li>– Due diligence is only conducted before engaging third parties and is not repeated at least every 2 years.</li> </ul>
0	The company does not state that it conducts anti-bribery and corruption due diligence on its third parties or agents.

7.1.3 Does the company commit to not engaging or terminating its engagement with agents, where the due diligence identifies a high risk of corruption?	
<p><i>Scoring Guidance :</i></p> <p>More specifically, companies should not engage with third parties and/or agents where the due diligence reveals that they have:</p> <ol style="list-style-type: none"> <li>Any family connection to a government advisor or public official involved in the particular acquisition or oversight of the deal;</li> <li>Any historical organisational or personal involvement in dishonest practice;</li> <li>Unclear beneficial ownership or beneficial ownership cannot be established.</li> </ol> <p>If there is no evidence that the company conducts risk-based due diligence on its third parties and/or agents, this question should be scored N/A.</p>	
2	The company explicitly commits to not engage with any agents where the company's risk-based due diligence reveals any or all of the above categories. All three categories listed above are explicitly stated in the company's policy.
1	The company explicitly commits to not engage with any agents based on the results of its risk-based due diligence, but does not specify the three categories listed above. Or, the commitment is not absolute, i.e. engagement despite conflicts mentioned above is permitted under certain circumstances, or can be authorised by certain individuals.
0	There is no evidence that the company commits to not engage with agents based on the results of its risk-based due diligence.

<b>7.1.4 Does the company's anti-bribery and corruption policy apply to all third parties and/or agents contracted to act with and for the company, and does it require anti-bribery and corruption clauses in its contracts with these parties?</b>	
<b>2</b>	The company's anti-bribery and corruption policy explicitly applies to all third parties and/or agents acting for or on behalf of the company. All third parties and agents are subject to anti-bribery and corruption clauses in their contracts with the company, covering both foreign and domestic bribery and corruption, in line or comparable to the company's anti-bribery and corruption policy. The contract should include clear audit rights and termination rights to control and prevent breaches.
<b>1</b>	The company's anti-bribery and corruption policy applies vaguely to all third parties and includes anti-bribery and corruption clauses in its contracts with third parties, with clear audit and termination rights. However, these are lacking in some way, for example: <ul style="list-style-type: none"> <li>– There is no standardised process for including these clauses in all third party contracts;</li> <li>– These contracts do not explicitly apply to all third parties as listed in score 2 or only includes for certain types of third parties.</li> </ul>
<b>0</b>	The company does not include anti-bribery and corruption clauses in its contracts with third parties and/or agents. Or, the policy either does not apply to all types of third parties, including agents, or does not explicitly include audit and termination clauses.

<b>7.1.5 Are there policies and criteria in place to ensure agents incentives are designed in such a way that they promote behaviour that is aligned with the company's anti-bribery and corruption policy?</b>	
<b>2</b>	Incentive structures for agents are explicitly highlighted as a factor in bribery and corruption risk. The company explicitly 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 states that remuneration to agents is paid only in stage payments over the course of their contract, based on clear milestones. The company also commits to only paying agents into local bank accounts.
<b>1</b>	Incentive structures for agents are explicitly highlighted 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 payments are made in stage payments or into local bank accounts.
<b>0</b>	There is no mention of incentive structures as a risk factor in agent behaviour, or there is no evidence that the company's incentive structures for agents are aligned with the company's anti-bribery and corruption policy.

<b>7.1.6 Does the company declare and publish details of all agents and/or third parties used in defence contracts?</b>	
<b>2</b>	The company publishes a full and detailed list of all agents and/or third parties used in relation to each defence contract. This information includes: name, organisational affiliation, nature of business relationship (e.g. advisory, negotiation, etc), start/end dates of relationship. This information is published and updated by the company either regularly or on at least an annual basis.
<b>1</b>	The company publishes some details of all agents or third parties used in the conduct of business. However, the information is lacking in some way, for example: <ul style="list-style-type: none"> <li>– The list published is incomplete or not updated on at least an annual basis;</li> <li>– The information published is insufficient (i.e. does not include names / organisational affiliations, nature of business relationship, start/end dates of relationship, or services rendered);</li> <li>– The information does not link the agents or third parties to a particular contract.</li> </ul>
<b>0</b>	The company does not publish any details of its use of agents or third parties used to conduct business.



**7.1.7 Are high-level results from incident investigations and disciplinary actions against third parties and/or agents contracted to act on behalf of the company publicly reported?**

<b>2</b>	The company publishes the high-level results on all ethical and corruption or bribery related incidents that include, at a minimum: the number of investigations launched; and the number of terminations as a result of investigation findings. Data is published at a regular interval, at a minimum on an annual basis.
<b>1</b>	The company publishes data on ethical incidents, but either doesn't mention that this includes corruption and bribery or doesn't provide either of the specific measures described under '2'. Or, the data isn't published regularly as specified.
<b>0</b>	There is no evidence that the company publishes any data on ethical or anti-bribery and corruption investigations, or the associated disciplinary actions.

**7.2 Joint Ventures**
**7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating in joint ventures?**
*Scoring Guidance :*

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

<b>2</b>	The company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering into a joint venture. This includes establishing the ultimate beneficial ownership of the partner company, with increased due diligence for joint ventures operating in high risk countries or with high risk partners, including SOEs. Once the joint venture is formed, there is evidence that the company conducts anti-bribery and corruption due diligence on the new entity and its activities at least every two years and when there is a significant change in the business relationship.
<b>1</b>	The company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering into a joint venture. However, these procedures are lacking in some way, for example: <ul style="list-style-type: none"> <li>– There is no evidence that this due diligence is conducted systematically for all joint ventures;</li> <li>– Due diligence does not explicitly include checks on ultimate beneficial ownership;</li> <li>– High risk joint ventures not subject to enhanced due diligence;</li> <li>– Due diligence is only conducted before engaging joint ventures and is not repeated at least every two years.</li> </ul>
<b>0</b>	The company does not state that it conducts anti-bribery and corruption due diligence on its joint ventures. Or, there is no evidence that this due diligence is based on an assessment of corruption risk.

**7.2.2 Does the company commit to implementing anti-bribery and corruption policies and procedures in all of its joint ventures, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?**
*Scoring Guidance :*

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

<b>2</b>	The company explicitly commits to establishing and implementing anti-bribery and corruption policies and procedures in all of its joint ventures, whether 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 clearly states that it will only enter into joint ventures if anti-bribery and corruption clauses are included in the contract, at minimum prohibiting foreign and domestic bribery and facilitation payments, as well as stipulating clear audit and termination rights to control and prevent breaches.
<b>1</b>	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, i.e. it doesn't 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 control and prevent breaches through the inclusion of audit and termination rights in the contract.
<b>0</b>	The company does not commit to establishing or implementing anti-bribery and corruption policies or procedures in its joint ventures, and/or does not require 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?**

*Scoring Guidance :*

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

2	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 could be implemented, dependent on the context. Such controls could include provisions for real-time electronic access to books and records, a separate internal audit function, or seconded board members.
1	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 statements or evidence to support this claim.
0	The company does not commit 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

### 8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team explicitly responsible for oversight and monitoring the progress of the company's offset activities?

2	There is evidence that the corruption risks associated with offset contracting are explicitly addressed in the company's offset policies, procedures and contractual terms. The company has a dedicated body, department or team responsible for monitoring corruption risks 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 risks associated with offsets. Or, the company addresses the corruption risks associated with offset contracting by explicitly stating that it does not enter into offset contracts.
1	There is evidence that the corruption risks associated with offset contracting are addressed at a basic level, but there is little evidence of integration into policies and processes. The company has a dedicated body, department or team involved in managing offset obligations, but there is no evidence that this team is responsible for monitoring corruption risks 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 to deal with the potential risks associated with offsets.
0	There is no evidence that the corruption risks associated with offset contracting are addressed, and/or there is no evidence that a dedicated body, department or team is responsible for oversight and 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?

#### Scoring Guidance :

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

2	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, agents or beneficiaries. As part of this process, the company's policy also commits to establishing and verifying that the offset activity / investment proposed is founded on a legitimate rationale. The company refreshes this due diligence continuously or at least whenever there is a significant change in the business relationship or the nature of the partner.
1	The company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence when selecting and entering into its offset obligations. However, this process is lacking in some way. For example; <ul style="list-style-type: none"> <li>– The process does not specifically mention 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;</li> <li>– There is no evidence that the company refreshes this due diligence continuously or at least when there is a significant change in the business relationship or nature of the partner.</li> </ul>
0	There is no evidence that the company has such a procedure, or its provision is so weak as to be ineffective.

### 8.3 Does the company publish a list and details of all offset agents, brokers or consultancy firms used in defence contracts?

#### Scoring Guidance :

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

2	The company publishes a full list of all agents, brokers or consultancy firms with which it conducts business in relation to offsets. These details include clear start and end dates of employment per contract (listed repeatedly if used on more than one contract at different times), names and affiliations of any agents, brokers or consultancy firms, and the nature of the relationship (e.g. advisory, finding/proposing local opportunities for offset, or brokering/negotiating with the customer).
1	The company publishes some details of agents, brokers or consultancy firms through which it conducts business in relation to offsets. However, the information is lacking in some way. For example: <ul style="list-style-type: none"> <li>– The list published is incomplete or not updated on at least an annual basis;</li> <li>– The list published does not include all categories of offset partners mentioned in this question;</li> <li>– The information published is insufficient (i.e. does not include start/end dates, nature of the relationship, names/affiliations of individuals or firms, or services rendered;</li> </ul>
0	The company does not publish any details of agents, brokers or consultancy firms through which it conducts business in relation to offsets.

### 8.4 Does the company publish full project and value details of all its offset obligations and contracts?

#### Scoring Guidance :

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

2	The company publishes full details (both project and value) of its offset obligations in relation to a named primary contract. The project details include: name of the offset project; the country in which the obligation is being fulfilled; principal contract that the project is linked with; name of any beneficiary companies; nature of the offset agreement (e.g. investment, construction, etc); and clear start and end dates. Value details include: the name of the offset project, the number/value of offset credits received for the transaction, the amount of multipliers awarded by the contracting customer, the percentage value of the offset in relation to the primary defence contract, and the actual price paid for the deliverables per unit. For direct military offsets that must remain secret for reasons of national security, the company still publishes at least the country in which its obligation is being fulfilled. This data is current and/or updated on at least an annual basis.
1	The company publishes some details of its offset obligations in relation to a named primary contract, however this information is lacking in some way. For example: <ul style="list-style-type: none"> <li>– The company only publishes project or value details, but not both;</li> <li>– The company publishes information relating to the projects and value of its offsets, but this is insufficiently detailed to satisfy the requirements of score '2';</li> <li>– The company publishes aggregate details of its offset obligations, e.g. overall number of countries in which it is currently fulfilling offset obligations;</li> <li>– The data is not current and/or there is no evidence that it is updated at least on an annual basis.</li> </ul>
0	The company does not publish any details of its 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?

2	The company acknowledges the corruption risks associated with operating in different markets and explicitly states that it has a dedicated risk assessment process in place to account for these risks, with clear risk management procedures in place at each level. The results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls. Or, the company had 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.
1	The company acknowledges the corruption risks associated with operating in different markets and has a dedicated assessment process in place to assess such risks, with clear risk management procedures in place at each level. However, there is no evidence about the impact of the assessments on business decisions or development of additional controls.
0	There is no acknowledgement of corruption risks in different markets or that risk assessment procedures inform the company's operations in high risk markets.

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

2	The company provides a full list of its fully consolidated subsidiaries and non-fully consolidated holdings. For joint ventures and/or non-fully consolidated subsidiaries, the company discloses the percentage ownership that it retains in each specific company.
1	The company provides a list of material (principal/significant/main) subsidiaries and non-fully consolidated holdings, but without percentages or further details about ownership.
0	The company does not provide a list of subsidiaries or provides only a list of domestic or another incomplete list of subsidiaries. Or, the company does not provide a list of associates and joint-ventures, provides a list of domestic associates and joint-ventures or another incomplete list of such entities.

### 9.3 Does the company disclose the percentages owned, countries of incorporation and countries of operation for each of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?

#### Scoring Guidance :

If the company explicitly states that it does not have any fully consolidated subsidiaries or non-fully consolidated holdings, this question should be scored N/A.

2	The company publishes full details of its fully consolidated subsidiaries and non-fully consolidated holdings, including percentages owned, countries of incorporation and countries of operation for each entity.
1	The company publishes some details of its fully consolidated and non-fully consolidated holdings, but this does not include percentages owned, countries of incorporation and countries of operation for each entity.
0	The company does not publish any details of its fully consolidated or non-fully consolidated subsidiaries.

**9.4 Does the company disclose its beneficial ownership and control structure?**

<b>2</b>	The company discloses all persons or entities with significant direct or indirect holdings in the company. All individuals or entities are referred to by name, along with their percentage ownership in the company and any accompanying details.
<b>1</b>	The company discloses some persons or entities with significant holdings in the company, but either does not disclose full details or only discloses full details for those with more than a certain percentage of ownership.
<b>0</b>	The company does not disclose any information about its beneficial ownership or control structure.

**9.5 Does the company publish a breakdown of its defence sales by customer?**

<b>2</b>	The company publishes a breakdown of its defence sales by customer, in the form of the value of total sales to each customer per financial year. At minimum, where the defence sale is confidential, the purchasing country or entity is identified.
<b>1</b>	The company publishes a breakdown of its defence sales by customer, however the data is only presented as high level percentages or as a proportion of overall defence sales.
<b>0</b>	The company does not publish a breakdown of its defence sales by customer.

## 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 (OECD 2015).

### 10.1 Does the SOE publish a breakdown of its shareholder voting rights?

*Scoring Guidance :*

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

<b>2</b>	The SOE publishes information about its shareholder voting rights, broken down by percentage allocated to each shareholder. This data is published alongside the company's beneficial ownership structure, to reflect the relationship between ownership and voting rights.
<b>1</b>	The SOE publishes some information about its shareholder voting rights, but this information is incomplete or lacking. For example, specific shareholders are not referred to by name, or specific shareholders are only named if they have more than a certain percentage of voting rights.
<b>0</b>	The SOE does not publish details of its shareholder voting rights.

### 10.2 Are the SOE's commercial and public policy objectives publicly available?

*Scoring Guidance :*

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

<b>2</b>	The SOE's commercial and public policy objectives are made publicly available on its website, and are updated on at least an annual basis or when there is a change in objectives.
<b>1</b>	The SOE publishes some information about its objectives, but these are either unclear or there is no evidence that they are updated on at least an annual basis.
<b>0</b>	The SOE does not publish its commercial or public policy objectives.

### 10.3 Is the SOE open and transparent about the nomination process, appointment and composition of its board members?

*Scoring Guidance :*

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

<b>2</b>	The SOE is open, clear and transparent about the nomination process, appointment and composition of its board and board members. The SOE discloses details of its nomination process (including the criteria for nomination, who is involved in the nomination, and who makes the final decisions). For each board member, the SOE discloses whether that person is: a financial beneficiary; an executive; a state representative; or an independent director.
<b>1</b>	The SOE publishes clear information about the composition of its board (a financial beneficiary; an executive; a state representative; or an independent director). However, further details about the nomination and appointment process is unclear or lacking.
<b>0</b>	The SOE does not make information about its board members publicly available. Or, the information disclosed is insufficient to provide clarity.



**10.4 Is the company's audit committee composed of a majority of independent directors?***Scoring Guidance :*

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

<b>2</b>	There is evidence that the SOE's executive-level audit committee is composed of a majority of independent directors (i.e. non-company, non-executive and non-state affiliated).
<b>1</b>	The company publishes a statement that its audit committee is composed of a majority of independent directors, but there is no evidence of this in practice (i.e. it is unclear, for each member of the committee, whether they are independent or non-independent).
<b>0</b>	There is no evidence that the SOE's audit committee is composed of majority independent directors; i.e. the structure of the company's audit committee is not disclosed or is sufficiently opaque that its composition is unclear. Or, there is no evidence that the SOE has an audit committee.

**10.4 Does the SOE follow a clear procedure to ensure asset transactions follow a transparent process to ensure that transactions accord to market value?***Scoring Guidance :*

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

<b>2</b>	The SOE has a clear structure in place, with responsibility assigned at board level, for managing transactions of assets. Asset transactions, for which a minimum value threshold may be specified, are scrutinised by an audit body. All transactions are documented, including between the SOE and government departments or military, or if any of the latter make asset transactions on the SOE's behalf. Financial results from asset acquisitions or disposals are publically available in the SOE's financial reports.
<b>1</b>	The SOE has a structure to manage asset transactions, however this procedure is lacking in some way. For example: <ul style="list-style-type: none"> <li>– Responsibility for managing asset transactions is not held at board level;</li> <li>– It is unclear/not specified whether asset transactions are subject to audit;</li> <li>– There is no evidence that all transactions are documented;</li> <li>– The financial results from asset acquisitions are not made publicly available in the SOE's reports.</li> </ul>
<b>0</b>	The SOE does not publish any details about its management of asset transactions.

## 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 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** (Col) 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. Joint ventures can be temporary for the purpose of fulfilling a contract, 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.

**Offset contracts** in the defence sector are 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).

**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 **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 this assessment, 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** in 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** in this assessment refers 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.

## Appendix II: Additional Information

Companies may offer feedback and comments about the methodology until **2<sup>nd</sup> November 2018**. To do this, please email the team directly using one of the methods listed below.

To find out more about the updated methodology of the 2019 DCI, read our report '[Out of the Shadows: Promoting Openness and Transparency in the Global Defence Industry](#)'. This report outlines the rationale for the new methodology, and provides further guidance on the 10 key risk areas.

The results from the 2015 edition of the DCI can also be found at <http://companies.defenceindex.org/>.

For further information and for a list of frequently asked questions, please click [here](#) or visit [www.ti-defence.org/dci](http://www.ti-defence.org/dci).

### Contact Information

To contact the team working on the Defence Companies Anti-Corruption Index, please:

- Email us at [dcic@transparency.org](mailto:dcic@transparency.org). This mailbox will be checked daily.
- Call us on +44 (0)20 3096 7692