

Company Feedback, November 2018

As part of the development of the methodology for the next edition of the Defence Companies Anti-Corruption Index (DCI), companies were given the opportunity to provide feedback on the draft Question and Model Answer document, in any amount of detail, from 5th October to 2nd November 2018.

During this period, the team received feedback from 13 defence companies and 3 industry associations, namely Aerospace, Defence, Security & Space (ADS), Defence Integrity Initiative (DII), and the International Forum on Business Ethical Conduct (IFBEC). The following pages contain the entirety of this feedback in the form that it was submitted, with company names anonymised. Due to the volume of feedback received, this document has been broadly divided into two parts: general comments, divided by broad theme, and question-specific comments.

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General Feedback

→ National Security & Legality

From [Defence Industry Initiative](#):

- Some DII members provide highly confidential, proprietary, and even classified products and services to defense customers. Others focus primarily on defense information technology. Still others principally provide healthcare services to members of the defense industry. Each of these sub-industries and others involves its own array of legal and contractual privacy requirements, such as restrictions governing national defense information, export controls, protected health information, employee data privacy, personal data privacy such as the EU's General Data Protection Regulation (GDPR), and a host of other restrictions. Given the multitude and breadth of these restrictions, different DII members may have different capacities to identify publicly all aspects of their anti-corruption efforts.
- The draft questions and scoring criteria should be updated to respect the privacy of individuals in the defense industry and comply with global privacy laws. Several model answers require the disclosure of names, business relationships, the durations of these relationships, ownership percentages in holdings, allegations, internal investigations, and terminations of relationships based on investigations (question #1.2, 6.6, 6.7, 7.1.7, 7.1.6, 8.3, 8.4, 9.4, and 9.5). The listed information could be legally protected for individuals under global privacy laws. This same information could contain national defense information and fall under export control requirements.

From [IFBEC](#):

- In order to score favourably on the revised Company Index survey, companies are expected to publicly disclose detailed information that could violate existing privacy, public procurement and other laws, and breach contractual obligations or fiduciary obligations to company shareholders. The proposed TI Company Index advocates for changes in public procurement policy it seeks to have adopted by governments, rather than evaluates internal measures companies have taken to meet existing legal requirements and prevent corrupt conduct.
- TI's revised survey is not based on any existing framework of best practice guidance regarding anti-corruption programmes, such as those published by OECD and by various government enforcement bodies.

From [ADS](#):

- We are equally concerned that what is being sought from companies could, in many instances be in breach of the laws and regulations which they are committed to uphold, such as the EU's General Data Protection Regulations (<https://eugdpr.org/>), competition law, procurement rules and contractual commitments. For instance, it is very common that the existence of a contract between parties is confidential to the parties involved. This is true in the commercial sphere as much as it is for Government procurement, and there are many and very good reasons for such confidentiality, not least in the case of defence procurement, where publicity around defence equipment acquisitions may give valuable intelligence to a potential adversary. In those circumstances, a commercial entity cannot unilaterally make the decision to publish a list of such contracts, just as it cannot provide a list of its suppliers which may provide similar highly damaging intelligence, as well as requiring the consent of each individual supplier concerned.

From [a company](#):

- Companies operating in the defence sector are generally prevented by governments from making supplier and customer information public for reasons of national security. Quite often what we purchase or supply is not generic but is subject to a classified product specification. In addition, to publish details of our suppliers could result in them, us or governments being subject to physical or cyber-attack targeted to these areas.
- The questions that refer to information that industry would not be able to publish in the level of detail required for national security reasons are principally 6.6 (*does the company declare and publish details of*

all suppliers with which it has an active business relationship) and 8.4 (does the company publish full project and value details of all its offset obligations and contracts). In respect of 9.5 (does the company publish a breakdown of its defence sales by customer), where we publish a breakdown of revenue by major customer only.

- Competition law – Companies are prevented from publishing information at certain levels of granularity for reasons of competition and anti-trust law. To the extent the publicising of such information could signal to competitors a company’s strategy in respect of a particular market, competition law is likely to prevent them from doing so.
- The questions that require information that may not be eligible for publication for competition law reasons are principally elements of 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*) and 6.6 (*does the company declare and publish details of all suppliers with which it has an active business relationship*).

From [a company](#):

- [red.] customers are largely foreign MoDs and armed forces and as such the customers usually require strict confidentiality. We therefore believe that the common practice in the defence sector is to avoid detailed public disclosure of relations with customers. We know that this is best practice among many, if not all defence companies and believe that such practice does not reflect upon the transparency and integrity of such companies, including [red.]. This comment is relevant for the following questions in your questionnaire and we propose the following amendments to the model answers [see responses to 5.3.2, 9.5, 8.4]

From [a company](#):

- There are several questions asking companies to publicly disclose information and details that are contractually, or as per applicable laws and regulations, considered as trade secrets or otherwise confidential (or private) information.
- In some questions information is asked for, disclosure of which is restricted by governmental customers and which is therefore not possible to publish. As one example, information about all defense sales volumes by country may interfere certain confidentiality obligations that companies are bound by.
- Also, there are questions that require disclosure of personal information, disclosure of which would not be compliant with the GDPR requirements, such as name lists of senior government officials that have been met, name lists of parties that have received gifts or hospitality of any kind, and name lists of third party representatives.

From [a company](#):

- Many of the proposed questions seek detailed information that cannot be published because it is limited by binding legal requirements and obligations such as security considerations, protected by contract terms, limited by privacy considerations, or denoted as competition sensitive. Additionally, many of the terms utilized are subject to a variety of interpretations by country, region, company, government, or individual reader, creating an inherent lack of consistent interpretation and application of the questions to individual company scoring by TI-UK. Examples of proposed 2019 questions that illustrate these deficiencies include: 5.2.3, 5.2.4, 5.3.2, 6.6, 7.1.6, 8.3, 8.4, 9.5.
- Knowledgeable parties will recognize the ineffective nature of such questions, and we believe the DCI will be rendered irrelevant.

From [a company](#):

- The survey asks for information about already established contracts which can be confidential.

➔ Commercial Confidentiality

From [a company](#):

- Industry does not publish certain information about customer and supplier contracts where there are confidentiality obligations towards others or because the information is commercially sensitive.

Commercial confidentiality is essential because, amongst other things, it encourages competition and protects ideas, knowhow and inventions by allowing people and organisations to have the confidence to invest while knowing that others will be prevented from stealing those ideas.

- The questions that refer to information that companies may not be free to publish in detail because the information is confidential to them or others are principally elements of 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*), 6.6 (*does the company declare and publish details of all suppliers with which it has an active business relationship*), 7.1.6 (*does the company declare and publish details of all agents and/or third parties used in defence contracts*), 8.3 (*does the company publish a list and details of all offset agents, brokers or consultancy firms used in defence contracts*), 8.4 (*does the company publish full project and value details of all its offset obligations and contracts*) and certain of the detail required in 9.5 (*does the company publish a breakdown of its defence sales by customer*).

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

From [a company](#):

- The proposed survey have within several areas a strong focus on transparency standards that are not applied by the governments with whom we do our business. Several of these requests for transparency are confidential areas within our customers contract and are subsequently information we can not place publicly on our website. This will, if we understand your survey right, give us a low score on the index even if we follow the relevant laws and regulations and have a well integrated anti-corruption program.

➔ Relations with Suppliers

From [a company](#):

- [red.] contracts with thousands of suppliers and subcontractors of small scale which supply raw materials and OTS items, such as electronic parts and as such cannot be monitored and should not be expected to maintain a comprehensive compliance program. However, at [red.], each supplier and subcontractor is required to approve and declare within the general T&Cs to follow anti-corruption regulations and standards.
- It is unlikely that defense companies would effectively ensure that all suppliers follow the requirement stipulated in the questionnaire.
- Regarding the frequency of review, we believe, in accordance with the DoJ & SEC Guidance of 2012, that it should be risk-based. Hence, frequency should not be too specific.
- The anti-corruption clause refers to the supplier's obligations to have, as a minimum, policies that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies under the global anti-corruption regulation. This comment is relevant for the following questions in your questionnaire and we propose the following amendments the answers [see 6.2, 6.6, 7.1.6, 8.3].

➔ Investigations

From [a company](#):

- A public disclosure of investigations cannot be a general requirement, as at least in investigations regarding multiple jurisdictions. Privacy laws may be breached by such publicity and this may be regarded by authorities as an interference in investigative procedures [see 2.7, 6.7, 7.1.7]

From [a company](#):

- The following questions have the same criteria to receive a score of '2' – 2.7 (*are high-level results from incident investigations and disciplinary actions against company employees publicly reported*), 6.7 (*are high-level results from incident investigations and disciplinary actions against contracted suppliers publicly reported*) and 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*).
- Many companies disclose this information in one manner for any misconduct investigations involving employees or contractors, so this is repeating the same question three times. Additionally, as stated above, suppliers are a type of third parties. This type of repetition may cause slanted scoring because of the same issue being scored multiple times.

From [Defence Industry Initiative](#):

- Finally, the public release of allegations and investigations may create the perception of defamation.

From [a company](#):

- For questions 2.7, 6.7 and 7.1.7 we suggest the DCI align with the guidance issued by the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework, particularly GRI Standard 205-1 "Operations assessed for risks related to corruption" and GRI Standard Disclosure 205-3 "Confirmed incidents of corruption and actions taken." Further details on incident investigations and/or associated disciplinary investigations is not included within the GRI Standards, implying that this information may not be considered material.

From [a company](#):

- What do you mean with incident investigations in the question 2.7? Internal investigation or trial?

➔ Public Information Only

From [Defence Industry Initiative](#):

- The proposed 2019 methodology removes the option for scoring non-public information to incentivize public disclosure. Under this incentives approach, the scores for companies may not reflect their actual anti-corruption program because many of our members' customers— Governments, Departments or Ministries of Defense, and military agencies worldwide — may frown upon or outright prohibit our members from publicly disclosing details regarding their supplier, customer, and third-party intermediary relationships.
- The 2019 methodology should be updated to adopt a hybrid public-private scoring, selecting certain questions for public analysis but permitting confidential submissions for others. Under such a model, Transparency International could fulfill its intent to promote public disclosure for many, perhaps most, of the topics, while retaining the flexibility to evaluate confidential information for questions to which DII members may not be able to respond publicly. The resulting Index would more accurately reflect the anti-corruption environment in the defense industry.

From [a company](#):

- The survey shall be conducted to establish an anti-corruption index. The survey and index from 2012 and 2015 has in general achieved a good standing both within the companies and governments. It has been used internally in our company to drive further development and understanding for the important anti-corruption work. The draft survey for 2019 will solely be assessed by the external information given public by the companies, and in our opinion seems to be designed rather to drive reforms with regard to transparency in the sector, than to give an assessment of the individual company's quality for its anti-corruption program.
- The level of details in the drafted survey seems to lack anchoring in international accepted frameworks and principles for anti-corruption. The criterias seems to be solely defined by TI, and has not been predictable for the companies involved. E.g. last year we conducted an external review according to ISO 37001 of our anti-corruption program with satisfactory outcome. In 2016 we answered a detailed survey to our primary owner [red.] about our work related to anti-corruption and business conduct, also with

satisfactorily outcome. If the TI survey will be conducted as drafted, we expect a result that might differ quite substantial from these previous evaluations. The potential lack of comparability can be a challenge to communicate both internally and externally.

- The information value; the web is a digital platform where a company gives information to all stakeholders about their business. The level of details according to this survey will be formidable for a company like ours – which give some practical questions; e.g. we have hundreds of suppliers in three different Business Areas within the Group [red.] and we cannot see the value of listing each and every supplier on our web-sites.

From [a company](#):

- We find it unfortunate that it will no longer be possible to provide internal documents for the assessment. There are many requirements which are fulfilled by having standard templates for contracts, including them in employee contracts or internal policies, items which are not meant for publication. So effectively, the company has many of the requirements in place, but they will still receive a negative scoring based on the fact that it is not published. In that sense, the TI Index can be seen more as a tool to put pressure on defence companies to achieve political goals rather than an honest assessment of the status of compliance in the industry.
- This is also particularly supported by the fact that in question 7.1.1 the company can only get a maximum score if it does not use agents. It may only be cost-efficient for large multinational groups of companies (such as e.g. Siemens, Novartis, Roche and maybe ABB) to bear the overhead that is required to support own sales organisations in the relevant target markets. For the major part of companies that are conducting international business this is in general not the case, so that the involvement of third parties as sale-intermediaries is without alternative. Moreover, in many jurisdictions, the inclusion of local agents is de-facto mandatory in the contracting of defence business and in order to score the maximum a company would have to effectively stop doing business in those countries. Such appearances are neither in the interest of TI nor the companies assessed, as it may well devalue the significance of the index.

From [a company](#)

- Furthermore, with respect to some of the questions, more clarification and detailed criteria would be needed: as one example, the question considering suppliers. Companies commonly have thousands of suppliers, thus the list to be published would need to be narrowed down to material and critical suppliers to have true relevance.
- A general concern is also that for a company that considers it not to be possible to publish some of the information requested for (for one or more reasons explained here) the assessment would not be valid even if that company would have an effective anti-corruption program in place.

From [a company](#):

- In general, we note that the changes from the previous questions and model answers are numerous both in terms of depth and number of areas covered: to provide a well thought answer in public documents available on our website would be challenging, given the relatively short notice before the examination period (February 2019).
- Moreover, our most relevant documents to update our stakeholders on the status of the company in 2018 (financial statements, sustainability and corporate governance reports) will be published well beyond that period, as for most publicly listed companies; this will result in the information for [red.] being mostly based on public information relating to 2017.

From [a company](#):

- The decision to consider only publicly available information in the 2019 survey (and not allow a company to provide TI with supplementary information as in the past) will result in only a partial picture of a company's actual compliance program. For example, while [red.] top level policies are publicly available, many of the specific details of our compliance activities are covered in internal company policies and procedures, which we are willing to provide to TI and others who have a specific reason to know. However, we do not believe that it is appropriate to make such details part of the public domain.

→ Scoring System

From [Defence Industry Initiative](#):

- The draft questions and scoring criteria repeatedly measure and score the same information and must be updated to ensure an accurate methodology and a fair evaluation without disproportionate scoring that could benefit some companies over others. As an illustration, question #2.7 requests incident and disciplinary records in general while question #6.7 and 7.1.7 score the same information with a narrowed focus on suppliers and third-party agents. Similarly, question #1.2 requires a prohibition on facilitation payments for companies. Then the company's same stance is tested three more times regarding whether this requirement is flowed to suppliers and to joint ventures (question #6.2, 7.1.1, 7.2.2). A single, well-crafted question should replace duplicative questions to increase accurate measurements of transparency and fairness of the evaluation for selected companies.
- Transparent Scoring Bands – The percentage scales for calculating scoring bands should be released before the 2019 assessment. Currently, the draft 2019 questions, scoring criteria, and associated communications do not include any percentages for the A-through-F bands. The 2015 methodology did include the percentage scales but did not release how or why these scales were determined. The release of the 2019 scales and their development are important for selected companies to understand the upcoming evaluation.

From [a company](#):

- Additionally, usage of the "N/A" marking by a researcher in the questionnaire, in certain questions, would automatically mean a lower final score which cannot be the intended outcome of this marking as it would give a misleading valuation/index of that company's anti-corruption program and thus also a misleading perception of the professionalism of that company in general.

From [a company](#):

- If a company answers "N/A" to a certain question, how does that calculate into the total credit? How does answering "N/A" differ from "obtaining 0 (point)" for a certain question from the credit earning point of view?
- It seems that in the past, the outcome of the assessment came out in the form of "A, B, C, and D." How do you divide into A, B, C, and D? Will it be the same for 2019 assessment?
- Does a method the company takes for publishing compliance related information (the information that will be subject to assessment) matter in the assessment? In other words, does how the information is presented in the website matter from the credit-earning point of view? For example, a company may compile all the compliance related information into a single file and provide a link in the website, or otherwise, a company may disperse compliance related information into a wide array of sections in the website.
- Do you provide the company with the first (draft) outcome of the assessment so that the company can have an opportunity to supplement or correct any information that was noted in the outcome?

→ Assessment Timelines

From [Defence Industry Initiative](#):

- The 2019 assessment period should start in May or June to allow for the evaluation of statements and disclosures in 2018 annual and sustainability reports. The proposed assessment period, starting in February 2019, will occur too early to evaluate many of the DII members' 2018 reports that are typically released between February and May. The later assessment period will allow for selected companies to release information related to the new questions and result in a more accurate Index that does not unfairly score companies with later reporting cycles.

From [a company](#):

- A lot of the information required for the assessment will be part of our Group Annual Report 2018, this will not be published until mid-March 2019, so if it's possible to conduct the assessment of [red.] after this date, the most up-to-date information can be used.
- In terms of looking at public information e.g. Annual report, will there be a cut-off of backward looking information; will anything public between 2015 and when the assessment is undertaken be taken into account?

From [a company](#):

- You have mentioned that you intend to start this process in February. Many of the larger, listed companies in this sector have a December year end and will be publishing this type of information along with their annual accounts in April. For such companies we recommend that you start the assessment process at the end of April.

From [a company](#):

- Regardless of content, we would suggest the timing of the assessment be set for May or later. Many companies, including [red.], will publish their 2018 Annual Reports and Sustainability Reports from February through April. An assessment period that begins after these months would result in scoring based on the latest company information, and companies would have an opportunity to adjust their planned reporting to include additional information to be considered in the assessment.

From [a company](#):

- Regarding the timeline for the assessment, please note that [red.] usually publishes the full year reporting documents by mid-March, including the Annual Financial Report and the Sustainability and Innovation Report. As you will review the company's website, including any available reports, for evidence of robust anti-corruption systems, as well as any functioning hyperlinks to other relevant online materials, we invite you to start the assessment by mid-April in order to have a complete and accessible set of updated documents and full accountability (both the Reports are assured by external auditors).

→ Other

From [a company](#):

- Assurance levels – we will only publish information and statements over which we have a very high level of assurance. We are concerned that other companies with lower standards of governance may be willing to make these public statements with lower levels of assurance than we, and other companies like us, require.

From [Defence Industry Initiative](#):

- A balance amongst transparency, privacy, and other obligations can be found through several alternatives. The questions could be modified to ask for information that is already released through existing legally required disclosures. For example, the U.S. Department of Commerce's Bureau of Industry and Security requires the publication of offset agreements and releases key measures as public information. The questions could be modified to require only the disclosure of information from consenting individuals and recognize the potential for individuals to request the erasure of their information at any time. Lastly the questions could request anonymized information. If these or other alternatives do not strike a sufficient balance, then these questions should be removed to err on the side of privacy and compliance with global laws.
- The Value of Controls – The draft 2019 questions should recognize and value different types of effective risk mitigation. Several draft questions only allow a top score for one kind of mitigation, a prohibition, and does not equally value other effective controls. For example, unlike question #A24 in the 2015 Index that allowed for the prohibition or regulation of political contributions, the 2019 version (question #5.1.1) prohibits the use of all political contributions. The risk of political contributions can be effectively mitigated through robust procedural, process, training, and monitoring controls. Similarly, question

#7.1.3 requires the prohibition of engaging with third party agents that were found to have high-risk flags during due diligence. High-risk indicators with respect to other third-party agents may be appropriately mitigated through scope of work, training, contractual, and monitoring controls.

From [a company](#):

- Generally, many of the questions are too strict, using words such as “all” and “at least” and therefore not allowing a risk based approach. Resources are limited – especially in smaller companies such as [red.] – and using them for processes that pose no or little risk, would clearly be detrimental to our compliance efforts. Compliance work in practice is in the essence all about an efficient allocation of scarce resources. In consequence, it is commonly recognized (see e.g. the FCPA-guidance material of the US DOJ) that there are no one-size-fits-all solutions for compliance management systems, but that a system is adequate, if it meets the specific, risk-based requirements of an individual company.
- We fear that TI may by imposing such strict and often not realistic standards that contravene risk-based approaches, create the perception among relevant business leaders to be ignoring the actual conditions in the given business environments. This bears the significant risk that the standards of assessment of TI may more and more be perceived as “coming from the ivory tower”. Such perception among business leaders would severely decrease the level of acceptance for the much appreciated and valuable work of TI and impede the missions of integrity a lot of internal compliance officers of defence companies are currently leading.
- Also, compliance and integrity are not only limited to anti-corruption aspects, there are other risk-categories, in particular anti-trust law. In fact, some of the publication requirements TI has set up in the 2019 edition cannot be fulfilled without potentially violating anti-trust law. We are certain that this cannot be in the interest of TI and we ask you to properly review these topics – as pointed out in detail below – with the appropriate anti-trust authorities (in particular the DG Competition of the European Commission and the Antitrust Division of the US DOJ).

1. Leadership and Organisational Culture

1.3 Does the board or a dedicated board committee provide oversight of the company’s 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?

From [a company](#):

- With regard to specific questions, we believe that the approach of questions 1.3 and 1.4 should be more flexible in light of the Italian legislative framework. Italian law provides for an independent body (the Oversight Board – Organismo di Vigilanza) that has a leading role in overseeing the company’s approach to anticorruption and reports directly to the Board of Directors. In addition, Italian corporate governance rules provide guidance for Board Committees, such as our Sustainability Committee and Risks & Control Committee.
- Consequently, in our opinion, the provision of both a dedicated Anti Bribery/Corruption Committee and a Senior Executive in charge for implementing and managing the company's antibribery and anticorruption programme should not be the sole possible solution. This is particularly true where, as in our case, the Oversight Board is a collegial body composed of two external members supported by an internal executive in charge for implementing the directives of such Board within the organization.

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?

From [a company](#):

- Risk assessments are often done by the local or divisional compliance officer initially and then updated continuously as a result of the compliance officer's daily business. This is not necessarily specifically reviewed by the management and the board, unless it has major implications or in the frame of regular reportings to the management or the board. Not having a formal process for such a continuous assessment and management/board review should not be construed against a company.

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?

From [a company](#):

- What are TI's expectations with regard to an independent team? Only large multinational groups of companies have the resources and the number of cases to support separate investigation teams. In practice many companies will conduct their investigations either with or without external support through their compliance and/or audit teams. If that is sufficient, then this should be worded accordingly. If not, then we believe the question is only fair and balanced towards large multinational groups of companies and should be amended accordingly.

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

From [a company](#):

- Answer for 0 marking criteria, seems to be wrong, and looks like it was copied from the above question.

From [a company](#):

- See comment to Q 2.4. Furthermore, what would be the benefit of a company stating that their staff is properly qualified and/or trained to perform their task? It should be assumed that they are, and if they're not, such a statement wouldn't change that. Also, having an investigation process reviewed on at least an annual basis may only be realistic for large multinational groups of companies as only they may have the resources for it and the amount of cases that would require such investment.
- Moreover, the fact is ignored here that each case may be subject to a differentiated approach. In addition, such processes are much less subject to changes in the regulatory environment than other elements of a compliance management system, such as e.g. in the field of anti-discrimination and data-privacy. Again a risk-based approach for an efficient allocation of scarce compliance resources is being contravened by this standard. Reviewing each and every process and policy on an at least annual basis regardless of the objectively given risk-level is simply not possible in practice.

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?

From [a company](#):

- Is this for Anti-Bribery and Corruption (ABC) only, if so should this be included in the marking criteria?

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

From [IFBEC](#):

- At question 2.7 the survey prescribes an arbitrary level of detail for publication of investigations and disciplinary actions for incidents of misconduct in order to receive a favourable score.

From [a company](#):

- "The company publishes is committed to report to relevant authorities, upon request, 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.”

From [a company](#):

- Could you clarify whether the details published have to be ABC only, as we do share the total contacts and other key data around our Ethics Line (Speak up service) but it contains a range of topics from our Code. Also we’re not sure of the value of detailing investigations launched; our suggestion would be detailing ‘substantiation rate’ of investigations conducted.

From [a company](#):

- The following questions have the same criteria to receive a score of ‘2’ – 2.7, 6.7 and 7.1.7.
- Many companies disclose this information in one manner for any misconduct investigations involving employees or contractors, so this is repeating the same question three times. Additionally, as stated above, suppliers are a type of third parties. This type of repetition may cause slanted scoring because of the same issue being scored multiple times.

3. Support to Employees

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?

From [a company](#):

- Should this include ‘ethics and compliance programme’ within the wording as usually when inserting materials into other trainings it’s not just ABC focused.

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

From [a company](#):

- As stated in the preliminary remarks, there are many compliance risk categories to cover and while Anti-Corruption is very important, it is by no means the only one. Therefore renewing a tailor-made training every year is not realistic. TI should at least consider initiatives where compliance topics are regularly institutionalised as part of management meetings, even if they are not formal trainings.

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

From [a company](#):

- Our suggestion would be to include ‘ethics and compliance programme’ rather than focus purely on ABC e.g. staff survey ask broader questions about an E&C programme for example ‘is it safe to speak up’.

From [a company](#):

- The effectiveness can be measured by the number of inquiries and reports to compliance. After an effective training program, these numbers regularly spike. Also, personal feedback is essential after a face to face training session. Furthermore, there are employee surveys, which in smaller companies are not conducted on a yearly basis. Not having a formalised published process and an annual review process of this process should not be considered a negative point for such companies.

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?

From [IFBEC](#):

- At question 3.4, TI prescribes an incentive compensation scheme rather than evaluates.

From [a company](#):

- Our suggestion is the question should cover wider than just ABC, and be about focussing incentives on the ‘how’ not just ‘what’ they achieve.

From [a company](#):

- In machinery, electrical and metal industries of Switzerland (the industry sector defence companies are included) employees are not receiving their salary based on a percentage of a customer contract. Making such a statement publicly would be quite unusual and for the public begs the question if the company making such a statement has something to hide. Not making such a statement should not be considered to the detriment of Swiss companies.

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?

From [a company](#):

- The questions asks about ethics, but in the marking criteria states ABC, our suggestion for consistency this should be ethics.

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

From [a company](#):

- Clarity on whether this question has to be explicit to ABC as our retaliation covers any topic within our Code, which includes ABC and many other topics?

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?

From [a company](#):

- Clarity on what is meant by external bodies would be helpful.

4. Conflict of Interest

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?

From [a company](#):

- A dedicated registry is not compulsory. There are other means possible, especially for smaller companies. This may include storing the approval emails on a central server accessible by compliance and available for review to auditors and government upon request. Not having a dedicated registry should not be considered to the detriment of a company.
- A list of criteria can by the nature of it only be a list of examples. Each case has to be reviewed and considered individually. Not having an exhaustive list of criteria should not be considered to the detriment of a company.

5. Customer Engagement

Overall Section Feedback:

From [IFBEC](#):

- In section 5 of the proposed survey, there are a series of questions that would impose TI standards of publication that are no indication of the strength or weakness of an anti-corruption program and conflict in a number of instances with legitimate restrictions required by government customers.

From [a company](#):

- We believe that in section 5 you have several questions that would impose TI standards of publications but which is not necessary a requirement by our national customers or in most jurisdictions (i.e. 5.2.3, 5.2.4.) As far as we know we are not under the obligation to have TI standards of publication. We also wonder how these standards of publication can be an indication of the strength of our anti-corruption program.

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

From [a company](#):

- As a government owned company, [red.] has a clearly stated policy that we do not donate to political parties. Hence, no further rules and procedures are required to support this simple rule that allows no exceptions. Hence, this must be considered sufficient for a scoring of 2 and the model answer should be specified accordingly.

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?

From [a company](#):

- The questions should be marked not applicable for companies that explicitly prohibit political contributions without exceptions.

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?

From [IFBEC](#):

- There are legitimate restrictions required by government customers – 5.1.3 where TI will score based on whether a company publishes all charitable donations and sponsorships (assume they mean government restrictions in different jurisdictions?)

From [a company](#):

- Our understanding of the rating system in this question is that if you do not publish the details but have a policy you still get zero points. We think this is too harsh. A company with a dedicated policy should at least get one point.

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

From [IFBEC](#):

- There are legitimate restrictions required by government customers – e.g. 5.2.3 where TI will score based on publication of “full details of its lobbyists and global expenditures”, whereas companies typically provide lobbying related information based on laws and regulations where they operate, not on a newly-devised TI-imposed standard of detail.

From [a company](#):

- The question 5.2.3 requires an on/off approach on lobbying that is not consistent with international companies operating in different geographies. We suggest to revise the scoring methodology taking into consideration compliance with and requirement of National laws and regulations, applicable where the company operates;

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

From [IFBEC](#):

- There are legitimate restrictions required by government customers – e.g. 5.2.4 would require companies to disclose every meeting with senior government officials. If lawful authorities request information on such meetings, companies necessarily comply, but TI will score based on whether prescribed detailed meeting lists are compiled, whether sought by authorities or not.

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?

From [a company](#):

- A dedicated registry is not compulsory. There are other means possible, especially for smaller companies. This may include storing the approval emails on a central server accessible by compliance and available for review to auditors and government upon request. Not having a dedicated registry should not be considered to the detriment of a company.

From [IFBEC](#):

- There are legitimate restrictions required by government customers – e.g. 5.3.1 will have TI score based on whether gifts and hospitality are recorded in some central register, which is not required in most jurisdictions.

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

From [a company](#):

- Comment: The authorities in Israel and many other countries do not maintain a register of gifts and hospitality. Therefore, we propose that the disclosure should be upon request as follows:
- The company ~~explicitly states~~ commits to ~~that it~~ shares its gifts and hospitality register ~~with~~ upon request of ~~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.

From [a company](#):

- It should be clarified that it is sufficient to make this available upon request.

6. Supply Chain Management

Overall Section Feedback:

From [a company](#):

- We believe question 6.1 to 6.5 is relevant risk assessment for our supply chain management.

From [a company](#):

- Supply chain and third parties should not be separated into two categories because suppliers are third parties, e.g., our third parties are publicly defined as suppliers, subcontractors, agents, teaming partners, etc. We essentially get asked the same questions twice for suppliers, when no one issue should carry double weight.

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?

From [a company](#):

- Conducting such audits on an annual basis may be realistic only for large multinational groups of companies. There are many processes to be reviewed. The requirement should rather be that companies conduct such audits regularly according to their specific compliance-risk exposures.

From [a company](#):

- In 6.1, it is stated that "the company requires the involvement of its procurement department in supplier relationships." Could you clarify the intent of this question? We would like to know what the cases would be when the procurement department is not involved, and what the risks are when the procurement department is not involved.

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?

From [IFBEC](#):

- There are legitimate restrictions required by government customers – e.g. 6.2 would require companies to ensure all of its suppliers have adequate anti-corruption procedures in place and, if they do not, require the supplier to adopt its procedures or otherwise conduct an assessment of the supplier's anti-corruption program and impose measures into the supplier's compliance program.

From [a company](#):

- There is evidence that the company ensures that ~~all of its~~ contracted suppliers ~~whom interacts with government officials on its behalf~~ have adequate anti-bribery and corruption policies and procedures in place. It is explicitly stated that ~~all suppliers which interact with government officials on its behalf~~ 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 on an appropriate periodic basis~~, or when there is a significant change in the business relationship.

From [a company](#):

- Doing this for all suppliers is overly burdensome for smaller companies. It should be rephrased to a risk-based approach and include suppliers which are material for the business, i.e. not those for office supplies, toilet paper and nuts and bolts, but those that are material for the products or service to be delivered. It should also allow for a simplified process where suppliers are major and well-known companies with known existing compliance programs, such as ABB, Siemens, General Dynamics, or that are highly ranked on TI's Defence Companies index. After all, this is part of what the index is for, to establish a level-playing field of trusted defence companies.

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?

From [a company](#):

- The company insists that its high risk sub-contractors have formally ~~and publicly~~ declared ~~the adoption of~~ 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.

From [a company](#):

- This is not realistic where suppliers are SMEs, often small local companies doing specialised work with 1-10 employees. Again, a risk based approach should be allowed here. See also comments to Q6.2.

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

From [a company](#):

- See comments to 6.2 and 6.3.

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

From [ADS](#):

- As an example, amongst many others, 6.6 asks if the companies publish details of ALL of their suppliers. The companies we represent often have many thousands of suppliers providing all manner of supplies from direct equipment forming part of the products they produce, to stationery, cleaning, travel and catering providers who support their operations. Given the volume of contracts they manage, even if as a matter of commercial confidentiality or national security they were able to provide the sought-after information, the logistical difficulties of ensuring the list of suppliers is up-to- date would be monumental, let alone the question of whether TI would have any practical way of assessing or verifying its accuracy.

From [IFBEC](#):

- There are legitimate restrictions imposed by government customers – e.g. 6.6 would require companies to publish a list of all its suppliers and the products/services they provide.

From [a company](#):

- Comment: This question cannot be applied and is not feasible due to large number of suppliers and NDAs that requires confidentiality. Therefore, we recommend removing this question.

From [a company](#):

- In question 6.6, you ask if we declare and publish details of all suppliers with which we have an active business relationship. Again we have to ask how this can be a proof of strength to our anti-corruption program, and remind you that this is not a requirement by our national authorities nor our customers?

From [a company](#):

- For certain industries like our EPCM [Engineering, Procurement, Construction and Maintenance] industry, publishing details about our suppliers would cripple our business because it comes down to the very suppliers and contractors we use. There is no added compliance and ethics value on this.

From [a company](#):

- The publication of exhaustive and detailed lists of suppliers will in many cases violate confidentiality clauses in the supply agreements. Furthermore, this is against the business interests of the companies and - most importantly - a violation of anti-trust law. "Full details of all suppliers" are to be qualified as market relevant information. If all competitors that are active on a given product and geographical market would make such market relevant information public, competition would be significantly restricted. Please refer to the decision practice of anti-trust authorities in case of price-signalling. A useful overview can be found here: <https://www.bakermckenzie.com/en/insight/publications/2017/01/price-signalling-and-global-antitrust-enforcement>
- This inherent conflict between (fully legitimate) transparency requirements and antitrust compliance should really have been discussed in detail with the appropriate antitrust authorities (in particular the DG Competition of the European Commission and the Antitrust Division of the US DOJ).
- Since such an alignment is not possible until February 2019, this question will have to be deleted completely.

From [a company](#):

- In 6.6, it is stated that "the company publishes full details of all suppliers used in the conduct of business." We believe that the information about the suppliers a company uses can generally be treated as trade secret of a company. If this information is disclosed, this information can be likely exploited by the competitors. We understand that disclosing this kind of information can increase the transparency of a company, but such benefit can be outweighed by the disadvantages that may result from the disclosure of trade secret of a company. We would like to know how TI views this issue.

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

From [a company](#):

- Furthermore, with respect to some of the questions, more clarification and detailed criteria would be needed: as one example, the question considering suppliers. Companies commonly have thousands of suppliers, thus the list to be published would need to be narrowed down to material and critical suppliers to have true relevance.

From [a company](#):

- In relation to the supply chain (6.6), we would like to highlight that the supplier base represents an important factor of competitive advantage in the shipbuilding industry and in our production model. In addition our suppliers, which include many thousand players, are the common base for all types of ships we produce (naval vessels represent less than 30% of our business). In view of these facts, we believe that the publication of the list of suppliers could hardly be considered as a step forward in our anticorruption approach.

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

From [a company](#):

- The company publishes is committed to report to relevant authorities, upon request, high-level data from ethical or bribery and corruption-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.

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

7. Third Parties

Overall Section Feedback:

From [a company](#):

- Supply chain and third parties should not be separated into two categories because suppliers are third parties, e.g., our third parties are publicly defined as suppliers, subcontractors, agents, teaming partners, etc. We essentially get asked the same questions twice for suppliers, when no one issue should carry double weight.

Overall 7.1 (Agents) Section Feedback:

From [a company](#):

- This section seems to be confused. On the one hand a company could be punished in the marking criteria of 7.1.1 for the mere use of agents even if well managed, but on the other a company who makes no use of agents will miss a disproportionate number of points for not having any policies etc.

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

From [a company](#):

- This implies that a company that engages an adviser in any context will only be able to score a maximum of half marks. This ignores the standards set down in anti-bribery and corruption legislation which allow for the use of entities such as advisers provided that adequate risk assessment, monitoring and controls are put in place. This question seems to contradict the questions to follow which deal with how companies manage their relationships with their advisers.

From [a company](#):

- In order to meet the criteria for a score of '2', a company must explicitly state that it does not use agents to conduct business. This is not possible for companies doing business in certain parts of the world that require a local agent. We have deliberately decided not to otherwise use sales agents to avoid associated corruption risks but the way the questions is phrased this important mitigation strategy would not be enough. The model answer is too stringent.

From [a company](#):

- Agents are used where a company does not have the resources or local knowledge or where it is mandatory to work with local companies due to public bidding procedures. In order for a company to score the maximum points, they would have to effectively abandon business in certain countries. While this may be a proper decision in some countries, there are certainly possibilities to conduct business with agents in a proper way – as demonstrated on a daily basis by many companies throughout the world. Obviously, a company with such a clear statement should get the maximum points. But a company with an adequate procedure in place should, too.
- Please reconsider this highly political stance of TI. Again: this bears the significant risk that the standards of assessment of TI may be perceived as “coming from the ivory tower”.

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?

From [a company](#):

- In our opinion, [red.] effectively fulfils these requirements, even though not all of it is publicly available. However, our reviews are conducted at least every three years. Please reconsider the rigorous “at least 2 years” as it is as arbitrary as three or four years. Again, this approach clearly contravenes a risk-based

approach. An agent in e.g. Denmark may only have to be reviewed after four years, whereas an agent in e.g. Nigeria may have to be put on a watch-list to be subject to ongoing monitoring.

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?

From [a company](#):

- The highest scoring section requires that agents are not engaged where any of the three specified circumstances apply. We agree that the circumstances are indicators of potential corruption and would be high hurdles to overcome, however the question does not allow for any possibility of mitigation depending on the specifics of the context.

7.1.6 Does the company declare and publish details of all agents and/or third parties used in defence contracts?

From [IFBEC](#):

- There are legitimate restrictions imposed by government customers – e.g. 7.1.6 will score based on publishing lists of all third party representatives utilized, which has no legal basis and does not provide a basis for concluding whether an anti-corruption programme is strong or not.

From [a company](#):

- Comment: This question cannot be applied and is not feasible due to NDAs that require confidentiality and are used as a common practice. Therefore, we recommend removing this question.

From [a company](#):

- We believe it is more critical that the company declare to the relevant national authorities in a specific country who they use as agent and/or third parties for a specific contract. This will assure transparency between the industry and the relevant national authorities.

From [a company](#):

- [red.] third party contracts usually include confidentiality clauses which oblige [red.] to keep parties and the content of the agreements confidential. Furthermore, there could be natural persons involved which means that we have to respect certain data protection requirements, especially under the new regime of the GDPR.

From [a company](#):

- Again, this may violate confidentiality clauses in the relevant agreements, be against the business interests of the companies and - most importantly - a violation of antitrust law. "Full details of agents and/or third parties" are to be qualified as market relevant information. Please see comment to Q6.6. This question will have to be deleted completely.

From [a company](#):

- In 7.1.6, it is stated that "the company publishes a full and detailed list of all agents and/or third parties used in relation to each defense contract." As we have indicated in our comments regarding Section 6.6, this may also be treated as trade secret of a company. How does TI view this issue?

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

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?

From [IFBEC](#):

- There are legitimate restrictions imposed by government customers – e.g. 7.1.7 will have TI score based on whether a company publishes investigations and actions against third party representatives, where legal and data protection requirements may prohibit it.

From [a company](#):

- The company publishes is committed to report to relevant authorities, upon request, upon request, 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.

From a company:

- We believe this information can be prohibited by both legal and/or data privacy requirements in several countries (GDPR).

From a company:

- Results of internal and external investigations are treated highly confidential. Any publication of results and disciplinary actions could cause data protection concerns or even result in a violation of personality rights of individuals.

From a company:

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

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

From a company:

- It must be made clear that best-efforts must suffice considering the objectively given level of control over the JV under the applicable corporate laws.

8. Offsets

Overall Section Feedback:

From a company:

- Several of these questions may be sensitive for competitive risks and national security since we are only into military offset discussions.

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?

From IFBEC:

- There are legitimate restrictions imposed by government customers – e.g. 8.2 will be scored based on publishing details of all offset obligations and contracts, which relates to no legal requirements and provides no basis for assessment.

From a company:

- Regarding 8.2, in the offset contract as our company knows of it, the procuring (purchasing) government usually designates or selects the offset beneficiary companies in its sole discretion and just notifies the company of the companies selected. Therefore, the practice, as we know of it, seems that it is practically very difficult to challenge or raise objection to the companies selected as offset beneficiary by the purchasing government. But this question seems to require the company to perform due diligence on those selected companies and raise objection if there seems no reasonable ground for selection. Are we understanding this question correctly?

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

From a company:

- Comment: This question cannot be applied and is not feasible due to NDAs that require confidentiality and are used as a common practice. Therefore, we recommend removing this question.

From a company:

- As mentioned above [7.1.7], [red.] third party contracts usually include confidentiality clauses which oblige [red.] to hold the parties and the content of the agreements confidential. Further, there may well be natural persons involved which could lead to data protection concerns.
- Also, the question does not provide for the possibility that a company in fact does not have any offset agents even though it is not explicitly ruled out by its policy.

From [a company](#):

- Please see comment to Q7.1.6 – this may violate confidentiality clauses in the relevant agreements, be against the business interests of the companies and - most importantly - a violation of antitrust law.

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

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

From [a company](#):

- Comment: This question cannot be applied to Defence companies, based on the comment above on question 9.5. The details and values of offset contracts are an integral part of the main contract with the end-customers. Therefore, we recommend removing this question.

From [a company](#):

- With regard to the publication of project value details and contracts in the offset business we see – besides confidentiality obligations imposed by the customers – also antitrust concerns as the publication of such data could create a high transparency in the market which could by authorities be regarded as the basis for anticompetitive coordination of market participants.

From [a company](#):

- Again, this may violate confidentiality clauses in the relevant agreements, be against the business interests of the companies and - most importantly - a violation of antitrust law. “Full details of offset obligations” are to be qualified as market relevant information. Please see comment to Q. 6.6. This question will have to be deleted completely.

From [a company](#):

- In 8.4, in point 2 answer, it is stated that "the amount of multipliers awarded by the contracting customers." Since the offset practice may differ from county to county, we are not familiar with this concept. Could you elaborate on this and give us some typical offset scheme example TI has in mind?

From [a company](#):

- The questions 6.6, 6.7, 7.1.6, 7.1.7, 8.3, 8.4 requires an excessive level of confidential data. This kind of information is company sensitive on the grounds of protecting our competitive position and so cannot be published or disclosed without damaging the company. The information is available internally and reviewed regularly. To find the right balance of disclosure, we suggest to require exclusively disclosure on the policy/process and on aggregated data, adjusting the scoring methodology accordingly.

9. High Risk Markets

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)?

From [a company](#):

- We do not see the difference between 9.2 and 9.3, please delete. Most of the information required in the question of 9.3 is already considered in the model answer of 9.2.

From [a company](#):

- The question 9.3 should limit the disclosure to the percentages owned and the countries of incorporation for each of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities).

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

From [IFBEC](#):

- There are legitimate restrictions imposed by government customers – e.g. 9.5 would require publishing all sales to defence customers and identifying sales by country, where maintaining confidentiality may be a requirement of the sale and provides no information on which to evaluate a company’s anti-corruption programme.

From [a company](#):

- Comment: This Question is not applicable to the majority of defence companies that are committed (by contract as well as by Law in many jurisdictions) to keep customers’ confidentiality and secrecy. This, we believe, is the common best practice between Defense companies and end-customers (armed forces, ministries of defense and homeland security). Therefore, we recommend removing this question.

From [a company](#):

- Question 9.5 will be impossible to answer for a company like [red.] who often have one sale of a defense product to one national authority in one country. We will not be able to disclose publicly such information due to national security and confidentiality clauses in some governmental contracts. We do not see how one can evaluate the quality of our anti-corruption program based on the disclosure of such information.

From [a company](#):

- The publication of defence sales by customer would interfere with confidentiality requirements. Further, an increase of market transparency could lead to antitrust risks as described above.

From [a company](#):

- Again, this may violate confidentiality clauses in the relevant agreements, be against the business interests of the companies and - most importantly - a violation of antitrust law. “Breakdowns of sales by customer” are to be qualified as market relevant information. Please see comment to Q. 6.6. Since this would restrict down-stream competition, the violation may even be more severe. This question will have to be deleted completely.

From [a company](#):

- The question 9.5 recognizes that defence sales can be confidential but identifying the country or entity violates the confidentiality requirements as well (for military clients, identifying the country could be basically the same of identifying the entity). In addition, the request does not take into account that for many defence contracts, only the prime contractors are able and authorized to disclose the final end users. Considering this, we suggest to limit the disclosure to the defence and civil sales’ breakdown.

10. State-Owned Enterprises

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

From [a company](#):

- Do you consider National corporate governance rules for listed companies when assessing question 10.1? Different regulations set different thresholds for requiring disclosure of the holdings hold by shareholders?

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

From [a company](#):

- What are the expectations of TI as to the level of detail? Usually commercial and public policy objectives are based on a mid- to long term time frame. E.g. the owner of [red.] has an “owner strategy” that is updated every 4 years. Please note that it is the [red.] that defines the owner

strategy! Updates should not be required annually, but “regularly”, i.e. if it is clear from such documents that they are up to date, this must be rated as a 2.

From [a company](#):

- Does question 10.2 refer to the Company ByLaws?

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

From [a company](#):

- Do you mean the Board of our mother company (which is nominated by the state owner) or the Boards in all our daughter companies (which is nominated by the Holding company)?