DEFENCE COMPANIES ANTI-CORRUPTION INDEX

TRANSPARENCY INTERNATIONAL UK
Defence and Security Programme

Defence companies fail anti-corruption test

New index finds two thirds of companies do not provide enough public evidence that they adequately prevent corruption.

London, 4 October 2012 –Two-thirds of the world's biggest defence companies do not provide enough public evidence about how they fight corruption, according to a new study from Transparency International UK. This includes companies from all of the ten largest arms exporting nations like USA, Russia, Germany, France, the UK and China—who between them are responsible for over 90 per cent of the arms sales around the world, the Defence Companies Anti-Corruption Index (CI) shows.

Everyone pays the cost of defence corruption

Defence corruption threatens everyone—taxpayers, soldiers, governments, and companies. With huge contracts and high secrecy in the defence sector, there are numerous opportunities to hide corruption away from public scrutiny. A company website is the best place for a company to tell the world exactly how it fights corruption.

"Corruption in defence is dangerous, divisive and wasteful.The cost is paid by everyone. Governments and taxpayers do not get value for their money and clean companies lose business to corrupt companies. Money wasted on defence corruption could be better spent" explains Mark Pyman, author of the first study of its kind and Director of Transparency International UK's Defence and Security Programme.

The index provides an analysis of what the 129 biggest defence companies around the world do and fail to do to prevent corruption. The study, which grades companies from A to F, measures defence companies worth more than USD 10 trillion, with a combined defence revenue of over USD 500 billion. Transparency International estimates the global cost of corruption in the defence sector to be a minimum of USD 20 billion per year, based on data from the World Bank and the Stockholm International Peace Research Institute (SIPRI). This equates to the total sum pledged by the G8 in L'Aquila in 2009 to fight world hunger.

"It is in the interest of companies, governments, and taxpayers that the defence industry raises standards globally. I hope the defence industry responds to the challenge and embeds good practice in preventing corruption, and increases transparency in the sector," Pyman said.

85 per cent of defence company leaders do not speak up about corruption

The study also finds that 85% of defence company leaders do not publicly speak up enough on the importance of preventing corruption. Despite the importance of a consistently strong 'tone from the top', very few senior leaders actively engage both in public and within the company on corruption. In order to ensure that corrupt opportunity does not lead to corrupt actions, Transparency International UK recommends that CEOs actively promote a values culture, through speaking out against corruption both within the company and publicly across the industry. It also calls on Chief Executives, government defence procurement chiefs, and investors to demand that better systems be put in place.

Ten per cent of companies have good disclosure of their anti-corruption systems

The study finds that ten per cent of companies have good disclosure of their anti-corruption systems. "This is much more than it would have been ten years ago: the industry is changing" explains Pyman. To get a clearer picture of the actual anti-corruption practices in the defence industry, TI-UK also invited companies to provide further internal evidence of their systems. One quarter of them did, and many demonstrated additional good practice methods of how to tackle corruption.

Commenting on the Index, Lord Robertson, former Secretary General to NATO said: "Companies must have a reputation for zero tolerance to corruption. By doing so, they could enjoy a distinctive advantage and mitigate reputational and financial risk. A corruption scandal can wipe away the decades spent building a reputation. By having the right anti-corruption systems in place, companies can avoid a drop in stock prices, blacklists, and even prison. It is in their interest to take action, and this index provides the guidance to do so." *-ends-*

For further information, analyses, and recommendations, please visit ***www.defenceindex.org/companies***

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Notes to editors

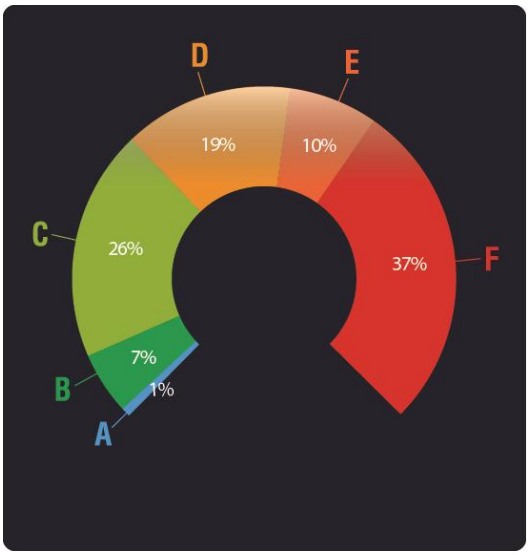
1. The Index bands companies on the level of public evidence of the anti-corruption systems they have in place. TI-UK also shows what the banding would be for 34 companies that provided internal information.

Band A (83.3-100%): Extensive	Band B (66.7-83.2%): Good	Band C (50.0-66.6%): Moderate
Band D (33.3-49.9%): Limited	Band E (16.7-33.2%): Very Limited	Band F (0-16.6%): Little or none

2. Transparency International's Defence team assessed companies on their publicly available data through 34 questions covering what Transparency International considers to be the basic systems and processes needed to prevent corruption. The questionnaire was divided into five pillars: 1) leadership, governance, and organisation; 2) risk assessment; 3) company codes and policies; 4) training; and 5) personnel and helplines. Companies were also invited to comment and provide further evidence of capabilities from internal sources. For the 34 companies that provided internal information, the defence team reviewed and discussed the documents with them. TI-UK then used this information to show the positive impact it would make on the overall banding results. Once all assessments were completed, they went through an internal and external peer review with five peer reviewers. The companies received a copy of the finalised assessment, and they were also all given an opportunity to make any further statement they may wish to, which is available here [link].

3. Transparency International UK's Defence and Security Programme helps to build integrity and reduce corruption in defence and security establishments worldwide through supporting counter corruption reform in nations, raising integrity in arms transfers, and influencing policy in defence and security. To achieve this, the programme works with governments, defence companies, multilateral organisations and civil society. The programme is led by Transparency International UK (TI-UK) on behalf of the TI movement. For more information about the programme please visit www.ti-defence.org.

ANNEX 1: RESULTS BASED ON PUBLIC INFORMATION



BAND A (1 COMPANY): Fluor Corporation*

BAND B (9 COMPANIES): Accenture, BAE Systems*, Fujitsu*, Hewlett-Packard Company*, Meggitt*, Northrop Grumman Corporation, Serco Group*, Thales S.A., United Technologies Corporation

BAND C (32 COMPANIES): Bechtel Corporation*, Boeing*, Chemring Group*, Cobham, CSC*, Day & Zimmerman*, DynCorp International*, EADS, Finmeccanica S.p.A., General Dynamics Corporation, General Electric Aviation*, GKN, Goodrich Corporation, Harris Corporation*, Honeywell International*, Indra Sistemas, S.A.*, ITT Exelis, Jacobs Engineering*, KBR Inc.*, Kongsberg Gruppen ASA*, L3 Communications Holdings, Lockheed Martin*, Oshkosh Corporation, QinetiQ Group*, Raytheon Company*, Rockwell Collins*, Rolls Royce, Saab AB*, SAIC*, Teledyne Technologies, Textron, ThyssenKrupp AG*, URS Corporation, VSE Corporation

BAND D (25 COMPANIES): AAR Corporation, Alion Science & Technology Corporation, Alliant Techsystems (ATK), Avio S.p.A., Babcock International Group , Booz Allen Hamilton, CACI International, CAE, Cubic Corporation*, Curtiss-Wright Corporation, Daewoo Shipbuilding & Marine Engineering*, Diehl Stiftung & Co. KG*, Elbit Systems, Embraer S.A., FLIR Systems*, Hindustan Aeronautics, ManTech International , MBDA Missile Systems, MTU Aero Engines GmbH*, Nammo AS, Navistar International Corporation, NEC Corporation*, Rafael Advanced Defense Systems, Safran S.A., Tognum*

BAND E (13 COMPANIES): Aselsan, Dassault Aviation, DCNS S.A., Fincantieri, Gorky Automobile Plant, IHI Marine, Mitsubishi Electric Corporation, Mitsubishi Heavy Industries*, Rheinmetall AG, RTI Systems, RUAG, Samsung Techwin, Ultra Electronics Holdings

BAND F (47 COMPANIES): Abu Dhabi Shipbuilding, Almaz-Antey, Antonov ASTC, Arab Organisation for Industralisation, ARINC, Arsenal AD, Aviation Industry Corporation of China, Avibras Indústria Aerospacial , Battelle, Bharat Earth Movers Limited (BEML), Bharat Electronics, Boustead Naval Shipyard, Bumar Group,China Shipbuilding Industry Corporation, Damen Schelde Naval Shipbuilding, Denel SOC, Doosan DST, General Atomics, Heavy Industries Taxila, Irkut Corporation, Israel Aerospace Industries, Israel Military Industries, Kawasaki Heavy Industries, Kharkov State Aircraft Manufacturing Company, Krauss-Maffei Wegmann, LiG Nex1, MC Dean, Navantia, Nexter, NORINCO, Otokar, Pakistan Ordnance Factories, Patria Oyj, Poongsan, Russian Helicopters, Sapura Group, SATUMA, SRA International, SRC Inc, ST Engineering, Sukhoi, TATRA, a.s., TRV Corporation, Tula KB Priborostroyeniya, United Engine Corporation, Wyle Laboratories, Zodiac SA Holding

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ANNEX 2: RESULTS BASED ON PUBLIC AND INTERNAL INFORMATION

For each company that provided internal information, we show their band based on public information only, together with what their score would be if the company-internal information reviewed by TI-UK were made public.

Company	Public Information	Internal & public Information
BAE SYSTEMS	B	B
BECHTEL CORPORATION	C	A
BOEING	C	A
CHEMRING GROUP	C	B
CSC	C	B
CUBIC CORPORATION	D	C
DAEWOO SHIPBUILDING & MARINE ENGINEERING	D	C
DAY & ZIMMERMAN	C	A
DIEHL STIFTUNG & CO. KG	D	C
DYNCORP INTERNATIONAL	C	A
FLIR SYSTEMS	D	C
FLUOR CORPORATION	A	A
FUJITSU	B	A
GENERAL ELECTRIC AVIATION	C	B
HARRIS CORPORATION	C	A
HEWLETT-PACKARD COMPANY	B	A
HONEYWELL INTERNATIONAL	C	A
INDRA SISTEMAS, S.A.	C	B
JACOBS ENGINEERING	C	B
KBR INC.	C	A
KONGSBERG GRUPPEN ASA	C	B
LOCKHEED MARTIN	C	A
MEGGITT	B	A
MITSUBISHI HEAVY INDUSTRIES	E	C
MTU AERO ENGINES	D	B
NEC CORPORATION	D	B
QINETIQ GROUP	C	B
RAYTHEON COMPANY	C	A
ROCKWELL COLLINS	C	A
SAAB AB	C	B
SAIC	C	B
SERCO GROUP	B	A
THYSSEN KRUPP AG	C	A
TOGNUM	D	C

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