



Dear Natalie,

The International Forum on Business Ethical Conduct (“IFBEC”) is an association of companies in the aerospace and defence industry, whose members adhere to the highest ethical standards and are committed to zero tolerance for corruption. Transparency International (TI) was helpful in encouraging IFBEC's founding, and IFBEC has appreciated the opportunity to work with TI toward the common goal of preventing corruption in defence procurement globally. Our engagement has been beneficial in moving positively towards that goal and we have come a long way, recognising that there is more we can both do to sustain and promote a sector free of corruption.

Each time TI has conducted the Defence Company Index (DCI) our members have willingly cooperated to further promote this commitment across the aerospace and defence industry. We are concerned, however, that the Index TI intends to publish will not accurately represent the anti-corruption compliance programs of our members.

**Our key point is that the 2020 Index is not a measure of the effectiveness a company's anti-corruption program, but rather a measure of how much proprietary information a company is willing and able to voluntarily make public.**

As noted in our letter dated 19 March 2020, companies in the aerospace and defence industry may be limited (by law, contract, national security etc.) from publicizing certain information that TI sought in its 2020 Index questionnaire. To score favorably in the 2020 Index, companies are expected to publicly disclose detailed information that could violate existing privacy, public procurement or other legal or contractual obligations. Although many of our members publicize a considerable amount of information regarding their anti-corruption compliance programs, the publicly-available information may not include or fully reflect the internal policies, procedures, due diligence requirements, risk assessments, and other initiatives that our members employ in their programs.

Additionally, since TI's 2015 Index was based on both public and internal information, and the 2020 Index is based purely on publicly available information, we have a major concern that referring to the survey as the DCI could result in confusion to stakeholders, including lenders, suppliers, customers and investors, even if there is small changes to the title. Further, the continued use of letter scores A-F is likely to lead stakeholders to conclude that the 2020 and 2015 results should be compared, no matter whether the change in methodology is pointed out on your website. To the contrary, the 2020 Index itself is not a measure of the effectiveness a company's anti-corruption program, but rather a measure of how much proprietary information a company is willing and able to voluntarily make public.

Thus, to help avoid this confusion, we ask TI to consider:

- Renaming the 2020 Index to “Defence Industry Anti-Corruption Benchmarking Survey” and separating it from previous year’s on the TI website;
- Using a different ranking system (numerically 1-5, or Highest, High, Average, Below Average etc. for example) in order to differentiate between the 2015 and 2020 assessments;
- Removing survey questions that effectively advocate for changes in public policy. The 2020 Index is not based on a framework of best practices guidance regarding anti-corruption programs and to receive a full score would require changes to existing governmental regulations.
- Amending or removing survey questions that companies are restricted from publicizing by applicable laws or contractual obligations;
  - For example, questions 7.1.6 (details of all agents) and 8.3 (details of all offset agents).

In addition, we have provided more detailed feedback gathered from our member companies in an appendix to this letter.

We appreciate the engagement TI has afforded to our industry and we support the goal of TI to expand anti-corruption compliance in the defence sector. Unfortunately the current form of the 2020 Index does not accurately reflect the effectiveness of our members anti-corruption compliance programs, but instead rewards companies' public communication efforts. This is a deep concern for IFBEC companies about this 2020 Index and one that we hope TI will take positive steps, even at this late hour, to alleviate.

Our industry continues to fight corruption and appreciates TI’s goal to improve accountability and transparency. We look forward to continuing our engagement to meet these common goals.

Yours Sincerely,

The IFBEC Steering Committee

## Appendix

In more detail, IFBEC members that have received final scores have provided the following feedback:

- Multiple companies contend that TI missed information in their annual reports and on their websites in their review, though the information was publicly available, thus making the research outdated or incomplete.
- The assessment imposes a time frequency standard for activities such as conducting due diligence of suppliers, agents and joint ventures, auditing supplier onboarding, etc. These arbitrary time limits do not reflect the level or effectiveness of a company's actual anticorruption controls and are not specified in any particular framework and, therefore, do not fairly consider individual company operations, assessment of risk, and appropriate application of resources to its own particular corruption risks and deployment of resources.
- Some companies note they received draft scores of 2 on some questions to then receive a 1 on the final scoring yet no changes were made to the response.
- The assessment methodology that TI used for scoring each section was unavailable and unclear which has led to concerns amongst IFBEC companies.
- The TI website and letters sent with company final scores indicate the published scores will be out of 100, but some companies have been informed their scores are out of 102.
  - Will this be addressed, and will it impact the scoring ranges for each band?
- How will TI consider the fact that due to the time study has taken, reference years may vary from one respondent to another?
- If a question was not applicable to a company, it appears they received zero rather than full marks, thereby penalising them in the scoring and ranking totals.
- Some IFBEC companies have received a zero score whilst others a positive score for answering the same question in a similar or the exact same way. This is particularly the case with the publicly available information concerning Political Action Committees in the US.
- Certain sections of the assessment resulted in poor scores or even a score of zero for many, if not most of our companies.
  - Supply Chain - Only one IFBEC company consulted so far reported getting any partial or full credit for the anti-corruption measures they have in place with their supply chains. This is due, we contend, to the sheer volume that TI expects to be disclosed and confidentiality/commercial reasons.
  - Agents and Intermediaries – No IFBEC company will be able to score positively on a requirement to list agents and intermediaries on a website, as this provides competition, legal, and national security challenges
  - Lobbying - For many companies with US operations, providing federal lobbying reports is the fullest disclosure possible.
  - Conflicts of Interest - Additional clarity regarding TI's definitions are needed. For example, the 2021 index does not specify whether the politician definition includes a locally elected school board member.
  - Customer Engagement: Requirements of Political Action Committees information on non-US versions of websites is not a lack of transparency issue.