



**DEFENCE COMPANIES  
ANTI-CORRUPTION  
INDEX IN THE CZECH  
REPUBLIC 2016**

**Transparency International – Czech Republic, o.p.s., is part of an international network of non-governmental Transparency International organizations. Its mission is to research the level of corruption in the Czech Republic and actively contribute to its reduction. Transparency International Czech Republic focuses primarily on the promotion of system oriented, legislative and organizational changes limiting the scope for corruption in public administration as well as in private sector. It also provides legal advice to citizens who have faced corruption, and assistance to whistleblowers. Last but not least, it helps to detect corruption practices and highlight corruption cases.**

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# ABOUT THE INDEX

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ETHICS AND ANTI-CORRUPTION PROGRAMME IS NOT A TRADE SECRET. IT IS NOT A CLASSIFIED SPECIFICS OF A MILITARY EQUIPMENT OR A SUBJECT OF NATIONAL SECURITY. IT IS A DECLARATION OF A COMPANY, THAT CORRUPTION IS NOT TOLERATED.

Openness in business relationships is becoming one of the most valuable commodities, regardless of the industry. The current global world brings greater information imbalance and hence, greater uncertainty for companies with whom they trade. The sector where these changes are most visible is the arms industry. Weapons and military technology have always had (whether deservedly or undeservedly) a hallmark of mystery and fragmented information. This hallmark was transferred to the Defence Companies themselves, as supplies to national armies were often subject to various information constraints, whether in the form of classified information or unwillingness to share that information. The international organization Transparency International has been following the arms industry for a long time, mainly through the Defence & Security programme under the auspices of the British chapter of Transparency International. Under this programme, the Defence Companies Anti-Corruption Index (CI) was launched in 2012 as a counterpart to the index which examined the anti-corruption resilience of the national ministries of defence (Government Defence Anti-Corruption Index, GI). As the first global index, it analyzed real-world ethical and anti-corruption mechanisms in the world's largest Defence Companies in order to shed light on the sector and help lift the veil of secrecy from the companies. The methodology of the index was designed to allow companies to retrospectively reflect on their score and simply identify the main shortcomings in their anti-corruption processes. The second round of the index was released in 2015 and there were already significant positive changes in the perception and setting of anti-corruption processes in Defence Companies. In the year-to-year comparison, it was clear that companies decided to open up and report their anti-corruption commitments.

This trend has not been reflected in the Czech Republic as there is no collective entity to promote greater openness and anti-corruption resilience in all sectors. The only impulse was the enactment of the criminal liability of legal persons, which is approaching the anti-corruption issue through state enforcement. Therefore, we have decided to offer an alternative and to increase the standard of business relations in companies. Keeping the main part of the the original global index (CI) methodology, we selected more than 20 representatives of Defence Companies. By analyzing their publicly available documents, we showed an approximate estimation of the real status of implementation of the ethical anti-corruption agenda in Defence Companies in the Czech Republic. Our aim (as in the case of the global index) was not to create a ranking of individual companies according to the quality of their anti-corruption programmes but to map the situation in the arms industry and to point to weaknesses not only in the whole sector but also in the individual companies. The ethical and anti-corruption programme is not a trade secret, it is not a secret military material specification, nor a national security concern. It is a message to the society that corruption is not welcome. And this message should be public.

Transparency International - Czech Republic has long been trying to establish a dialogue with the Ministry of Defence. This project aims to open the debate also with the arms sector, which is an irreplaceable proponent of ethical standards in the field of security and defence, and at the same time can actively contribute to improving the procurement of public arms contracts. That is why we continue our ongoing dialogue with individual companies. We strive to contribute to increasing the transparency level of arms trading activities with our expertise and to promote good practice across the sector.

We hope that this publication will contribute to the development of the trend of greater openness of the Defence Companies and will help to spread the message that corruption in the Czech arms industry is not acceptable.

# THE INDEX IN BRIEF

IN TOTAL, 23 DEFENCE COMPANIES FROM THE CZECH REPUBLIC WERE EVALUATED BASED ON PUBLICLY AVAILABLE INFORMATION.

## THE COMPANY HAD TO MEET THE FOLLOWING CRITERIA:

- The company is one of the top-ranked Defence Companies.
- It is a major player in the defence and arms industry.
- The sample should cover a wider spectrum of companies in the defence and security industry.

BAND	EVIDENCE LEVEL
A	Extensive evidence
B	Good evidence
C	Moderate evidence
D	Limited evidence
E	Very limited evidence
F	Almost no evidence

## INVOLVEMENT OF COMPANIES:

A letter of intent was sent to the companies including the full questionnaire. All companies were offered the option to fill out a questionnaire and attach relevant documents supporting their statements. Subsequently, a scorecard with a call for comment was sent to individual companies in case they disagreed with the information. These comments were confronted with the available information and taken into account in the evaluation if they were justified.

The analysis also included the examination of non-public information provided by companies. The points given to both public and non-public information were reported to the companies that provided such information, demonstrating the difference where the companies would have been placed if the information had been publicly available.

# THE RESULTS IN BRIEF

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## MOST OF THE DEFENCE COMPANIES HAVE ONLY MINIMALLY IMPLEMENTED OR NO ETHICAL AND ANTI-CORRUPTION MECHANISMS AT ALL.

A total of 16 out of 23 companies ranked in category F, the last category covering insufficient evidence of the existence of good anti-corruption mechanisms. Only three of them received a rating above zero.

The second largest group was group D, where there was limited evidence of the existence of an ethical and anti-corruption agenda.

## COMPANIES WERE MOST ABLE TO FULFILL THE FOLLOWING SURVEY AREAS:

- Appointment of a particular person from senior management responsible for anti-corruption policy
- Anticorruption programmes are easy to understand and available to employees

## KEY AREAS FOR IMPROVEMENT:

- Excessive formality of anti-corruption programmes
- Protection of whistleblowers
- Strong personal commitment of company's management
- Anti-corruption trainings

# SHARED INTEREST

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Corruption in industry and trade relations affects us all - citizens, societies, governments and the international community. Each individual member of these groups is interested in reducing the risk of this incorrect behavior. Therefore, this interest should be even more present in such a specific industry as the arms industry undoubtedly is. Corruption in the arms industry means soldiers without functional equipment, limited capacity to strategically modernize armies, or transfer of state resources in the hands of influential groups, in the extreme case terrorist groups.

These companies, whether owned by a state or by a private owner, are recipients of a large amount of public money, mainly in the form of public tenders but also in the form of purchases without tendering procedures.

Social norms and attitude towards corruption have greatly changed over the past 30 years. Practices such as bribing the officials or the uncontrolled use of financial intermediaries are currently considered to be outdated and completely wrong. The law against money laundering and other measures represent an integral part of the business environment.

These changes in approach take place in the arms industry but are more complicated due to political ties or due to classified information in public arms procurement. In advanced Western countries, a company's public anti-corruption programme is a common condition for public procurement if that company wants to participate in a ten-

der. There is no such condition in our country. This goes in the opposite direction of trying to create a transparent environment that cannot be easily abused.

On the other hand, it has to be mentioned that international Defence Companies are aware of the trend of transparency and are actively promoting its support. However, if we want to compare the global situation and the situation in the Czech Republic, we will not come to the same findings. Even though the local Defence Companies perceive the scrutiny of their activities from their business partners, there is no platform to promote more open Defence Companies. There is no one to bring international trends and a potential competitive advantage to the domestic industry.

An important player who has the power to influence the course of events in this field is the government. The global ranking points out that even individual defence ministries do not have a perfect anti-corruption programme. In the ranking of the British branch of Transparency International Government Defence Anti-Corruption Index 2013, the Czech Republic was ranked in the group C (countries were again divided into six groups A-F), representing a medium risk of corruption.

The next page shows recommendations of the ten steps that were published in CI 2015 and which have the ambition to bring the common interest to reality through the activity of directors of companies, government officials, investors and civil society.

# **DEFENCE COMPANIES**

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# **ANTI-CORRUPTION INDEX**

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# **2015 RECOMMENDATIONS**

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## **CEOs AND BOARDS OF DIRECTORS**

1. Ensure that you have a robust ethics and anti-corruption programme. Encourage periodic independent review.
2. Disclose the programme fully on your company's website.
3. Speak up strongly against corruption inside your company and in public fora.

## **INVESTORS ENGAGEMENT TEAMS, PORTFOLIO MANAGERS, AND ANALYSTS**

4. Ask the CEO and the Chair of the Board to explain their ethics and anti-corruption programme.
5. Ask them to show you the results of any independent review of their programme.

## **PROCUREMENT CHIEFS IN ARMS IMPORTING COUNTRIES**

6. Require that all bidding companies have effective ethics and anti-corruption programmes in place, and that they are made public.
7. Where regulations permit, place a requirement in Ministry of Defence (MoD) regulations that all bidding companies must possess an ethics and anti-corruption programme.

## **GOVERNMENT OFFICIALS RESPONSIBLE FOR OFFSETS**

8. Require all bidding companies to publish their detailed offset obligations.
9. Require that they publish annual performance assessments of their offset obligations.

## **ARMS EXPORTING GOVERNMENTS**

10. Require robust ethics and anti-corruption programmes in your national defence companies.

# RESULTS

## DEFENCE COMPANIES ANTI-CORRUPTION INDEX IN CZECH REPUBLIC 2016

BAND	FROM (%)	TO (%)
A	83,3	100
B	66,7	83,2
C	50,0	66,6
D	33,3	49,9
E	16,7	33,2
F	0	16,6

### EVIDENCE OF ANTI-CORRUPTION PROGRAMMES



In total 23 companies were included in separate groups based on percentual score according to score of points.

**A**  
(0)

**B**  
(0)

**C**  
(1)

Company (Points)

**TATRA TRUCKS a.s. (54)**

**D**  
(5)

Company (Points)

**EXCALIBUR ARMY spol. s r.o. (45)**

**LOM PRAHA s.p. (34)**

**RETIA, a.s. (45)**

**STV GROUP a.s. (42)**

**Vojenský technický ústav, s.p. (44)**

**E**  
(1)

Company (Points)

**VOP CZ, s.p. (26)**

**F**  
(16)

Company (Points)

**AERO Vodochody AEROSPACE a.s. (10)**

**Česká zbrojovka a.s. (0)**

**Explosia a.s. (4)**

**ERA a.s. (0)**

**GUMOTEX, akciová společnost (0)**

**ICZ a.s. (13)**

**Meopta - optika s.r.o. (0)**

**MPI Group, s.r.o. (0)**

**OMNIPOL a.s. (0)**

**Poličské strojírny a.s. (0)**

**PRAGA-Export s.r.o. (0)**

**Ray Service, a.s. (0)**

**Sellier & Bellot a.s. (0)**

**SVOS, spol. s r. o. (0)**

**Trade FIDES, a.s. (0)**

**Zenit, spol. s r.o. (0)**

Of the 23 Defence Companies surveyed, 16 were placed in group **F**. This category is characterized by the absence of public evidence of the existence of ethical and anti-corruption measures.

One company was included in group **E**, which is characterized by very limited evidence of anti-corruption policy.

Five companies were included in group **D**, which is characterized by an active approach to building an internal ethical and anti-corruption system.

Only one company scored enough points to be included in group **C**.

None of the companies surveyed in the Czech Republic got into the highest and best rated **A** and **B** groups. Compared with the global index, the Czech Defence Companies have fallen below average, indicating the acute need to address the problem.

The non-public documents provided to Transparency International indicate that some companies located in group **F** have implemented certain anti-corruption measures. However, their public unavailability remains an issue.

**THE ANALYZED INFORMATION SHOWED THAT THE FOLLOWING ASPECTS ARE CRITICAL WHEN INTRODUCING THE ANTI-CORRUPTION AGENDA:**

1. Insufficient personal commitment on the part of management to declare the company's anti-corruption nature; establishing responsibility for a particular person, not a position in the organization.
2. Lack of good anti-corruption training not only for employees but also for the entire leadership. The emphasis on practicality is lacking in ongoing trainings.
3. Insufficient quality setting of whistleblower programmes (especially possibility of notification and protection of whistleblowers).
4. Excessive formalism of anti-corruption programmes, which is reflected in the insufficient fulfilment of the agenda.

# THE SURVEYED AREAS

## LEADERSHIP, GOVERNANCE AND ORGANIZATION

The company's leadership has a guiding role in compliance. It indicates the company's attitude towards ethics and business relationships. Therefore, it is essential that it perceives anti-corruption behaviour as a priority and ensures that any shortcomings in the agenda are identified and remedied.

Major weaknesses were analysed in the index, mainly in the personal commitment of top executives of Defence Companies towards the anti-corruption agenda. The responsibility was channelled to job classification rather than to a particular person.

One third of companies have appointed a senior management person who is responsible for implementing ethical and anti-corruption policies, and at the same time published a statement on the values in trade negotiations such as honesty, trust, transparency and others. Nevertheless, none of the executives surveyed made a strong personal commitment to the company's anti-corruption agenda.

## RISK MANAGEMENT

Setting up effective processes for identifying and eliminating risks is essential for the successful functioning of the company. At the same time, information on these processes is a powerful tool for implementing these mechanisms towards partners.

A quarter of companies define a stance on corruption in their contractual relationships and the consequences of a violation of this stance. However, only one fifth of companies have a formal anti-corruption risk assessment process that is implemented throughout the company.

## CORPORATE POLICIES AND CODES

Corporate policies and codes have traditionally been the cornerstone of good ethical and anti-corruption programmes. They represent the company's commitment to act honestly and not to tolerate corrupt behaviour. The emphasis must be placed on their practicality and real fulfilment.

More than one third of companies have a formal seamlessly written anti-corruption programme, which clearly delineates it against corruption, is easy to understand, and is accessible to all employees. However, only one company specifically defines lobbying issues in its anti-corruption and ethics programme in order to ward off unwanted influence and possible corrupt behaviour. Concern remains to what extent the anti-corruption programme is a real ethical guideline and not a mere pro forma document.

## TRAININGS

Quality training activities form an essential aspect of an effective anti-corruption policy for society. They help to respond to current threats and strengthen the company's commitment to prevent unethical or corrupt behavior. Trainings need to be organized throughout the company or in places with a higher risk of corruption.

A quarter of surveyed companies have a training programme specifically relating to corruption but only 15% of companies have such a programme targeted at employees in positions with increased risk of corruption. On the other hand, a quarter of companies have targeted anti-corruption trainings at their highest representatives.

## HUMAN RESOURCES DEPARTMENTS AND WHISTLEBLOWER HOTLINES

The support of employees for ethical and anti-corruption issues and a clear statement of the organisation on whistleblower protection make it possible to identify processes that are not captured by risk management and are not in line with ethical standards of the company.

A third of companies have channels available for reporting corruption but only one tenth of companies have a clear formal process of investigating possible corrupt activities of their employees. Only 15% of the companies surveyed have a commitment to protect whistleblowers and ensure impossibility of future reprisals against them.

# RECOMMENDATIONS

**1/**

PUBLISH THE ETHICAL AND ANTI-CORRUPTION AGENDA SUCH AS AN ANTI-CORRUPTION DECLARATION AND COMMITMENT. THIS IS THE CURRENT GLOBAL TREND AFFECTING MOST INDUSTRIES BUT IT IS THE ARMS INDUSTRY THAT CAN BENEFIT THE MOST FROM IT.

**2/**

REGULARLY TRAIN ALL IN THE COMPANY ON CORRUPTION WITH EMPHASIS ON PRACTICALITY.

**3/**

FROM THE POINT OF VIEW OF THE ASSOCIATION, SAFEGUARD THE ANTI-CORRUPTION AGENDA AND FACILITATE THE EXCHANGE OF INFORMATION AND KNOW-HOW IN THIS AREA.

**4/**

THE MINISTRY OF DEFENCE OF THE CZECH REPUBLIC SHOULD REQUIRE A PUBLIC ANTI-CORRUPTION COMMITMENT FROM THE COMPANIES WITH WHICH IT MAKES A CONTRACT.

# METHODOLOGY

## METHODOLOGY HAS BEEN TAKEN OVER FROM GLOBAL DEFENCE COMPANIES ANTI-CORRUPTION INDEX, SO IT IS POSSIBLE TO COMPARE CZECH COMPANIES WITH GLOBAL COMPANIES.

The way we obtained information from the Defence Companies is in line with the index created by the Transparency International branch in the UK in 2012. In 2015, its revised and expanded version was released, which was our starting point. A questionnaire contained 41 questions. These questions were divided into 5 pillars:

- Leadership, governance and organization
- Risk management
- Corporate policies and codes
- Trainings
- Human resources departments and whistleblower hotlines

A letter of intent was sent to the companies including the full questionnaire. All companies were offered the option to fill out the questionnaire and attach relevant documents supporting these statements.

The gathering of information took place in the designated team from June to August 2016. Subsequently, a summary of the score with a call for comment was sent to individual companies in case they disagreed with the information. These comments were confronted with the available information and taken into account in the evaluation when justified. After that, the individual information was checked by an employee outside the designated team.

We only used publicly available resources to evaluate this information. The information provided by the relevant companies was subject to control from publicly available sources. Only information that was publicly available on 31 August 2016 was included in the survey results.

Individual responses scored on a two-point scale. Achieving the maximum number of points (82) was the ideal state of a comprehensive set of all aspects of the ethical and anti-corruption agenda. According to the points gained, entities were classified into A-F groups, with group A containing companies with extensive evidence of a sophisticated anti-corruption policy.

# THE QUESTIONNAIRE

A SET OF QUESTIONS FOR EVALUATING THE ANTI-CORRUPTION PROGRAMMES OF DEFENCE COMPANIES.

## PILLAR 1: LEADERSHIP, GOVERNANCE AND ORGANISATION

### 1.1 LEADERSHIP AND COMMITMENT

**A1** Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Guidance Notes The assessor is looking for evidence of the strength of the company's external commitment to its ethics and anti-corruption agenda through public statements from its leadership as opposed to, for example, internally published, non-public statements.

**A2** Does the company's Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Guidance Notes The assessor is looking for evidence of the level of personal commitment of the company's leadership to its ethics and anti-corruption agenda through, for example, public speeches and interviews, personal involvement with industry anti-corruption initiatives, etc.

**A3** Does the company's Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anticorruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Guidance Notes The assessor is looking for evidence of personal commitment of the company's leadership to ensuring its ethics and anti-corruption agenda is actively promoted throughout the company. Examples may include speaking at training events or other employee gatherings, or chairing a review of anti-corruption programmes.

**A4** **Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?**

Guidance Notes The assessor is looking for evidence of the company's commitment to high standards of business conduct through the publication of a clear statement of such values, beyond that of compliance-based legal statements.

## 1.2 EXTERNAL ENGAGEMENT

**A5** **Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?**

Guidance Notes The assessor is looking for evidence of membership of national and international initiatives, examples of which include: Defense Industry Initiative (DII), International Forum on Business Ethical Conduct (IFBEC), World Economic Forum Partnering Against Corruption (PACI), International Chamber of Commerce Anti-Corruption Commission, ASD Common Industry Standards (CIS), UN Global Compact, membership of the national Transparency International Chapter, etc.

## 1.3 STRUCTURE AND ORGANISATION

**A6** **Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?**

Guidance Notes The assessor is looking for evidence that the Board holds direct responsibility for the ethics and anti-corruption agenda. This should include clear terms of reference on what this responsibility entails

**A7** **Has the company appointed a person at a senior level within the company to have responsibility for implementing the company's ethics and anti-corruption agenda, and who has a direct reporting line to the Board?**

Guidance Notes The assessor is looking for evidence of a senior person taking responsibility for implementing the ethics and anti-corruption agenda, rather than this responsibility being delegated to lower management levels of the company.

## 1.4 MONITORING AND EVALUATION

**A8** **Is there regular Board level monitoring and review of the performance of the company's ethics and anti-corruption agenda?**

Guidance Notes The assessor is looking for evidence of a formal senior review process which addressed the full ethics and anti-corruption agenda and its associated processes, including evidence that such reviews are scheduled to occur regularly, at least on an annual basis.

**A8a** **Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?**

Guidance Notes The assessor is looking for evidence of a formal, clear, written plan in place to guide the Board or senior management review of the ethics and anti-corruption agenda, and evidence of implementation of improvement plans when weaknesses are identified. This could include monitoring indicators such as anti-corruption training uptake, group ethics and compliance activities, employee surveys, and helpline statistics and trends.

**A9** **Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?**

Guidance Notes The assessor is looking for evidence that the company has a formal process for the review and update of its ethics and anti-corruption agenda in the event of an actual or alleged instance of corruption. The assessor will look for any examples that can be provided of such review and its outcome.

# PILLAR 2: RISK MANAGEMENT

## 2.1 RISK ASSESSMENT

**A9a** Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

**Guidance Notes** The assessor is looking for evidence that such a procedure exists and is documented, and that the company follows this procedure. A corruption risk assessment system could include determining the risks associated with internal procedures, different geographies, business areas, and transactions. The assessor is also looking for evidence the company uses these assessments to mitigate the risks, with clear ownership and timelines, and to improve the anti-corruption programme where appropriate.

**A10** Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

**Guidance Notes** The assessor is looking for evidence that such a procedure exists and is documented, and that the company follows this procedure with respect to important business decisions: new acquisitions, new products, and moving into new markets, for example. Not all business decisions will require such an assessment, hence the need to specify the circumstances under which the procedure will be applied.

## 2.2 PARTNERS AND AGENTS

**A11** Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

**Guidance Notes** The assessor is looking for evidence that due diligence has been conducted on all its current agents and is conducted as a matter of policy on all new agents. The assessor will also look for evidence that the company has a policy to refresh the due diligence at least every 3 years, and when there is a significant change in the business relationship or the nature of the agency. "Agents" are the agents, advisors or other third party intermediaries authorised to act for or on behalf of the company to further its business interests.

**A12 Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?**

Guidance Notes The assessor is looking for evidence that the company has insight into the agent’s activities with regard to the alignment of the intermediary’s ethics and anti-corruption agenda with that of its own programme and has in place the contractual rights and formal processes to prevent or deal with the occurrence of any violations, through correction or termination / disclosure to regulatory authorities.

**A13 Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?**

Guidance Notes The assessor is looking for evidence that the company passes its ethics and anti-corruption standards down the supply chain and makes clear the consequences of any breaches in its policies on these matters. The assessor will look for any examples that can be provided as to where such a policy has been applied.

### 2.3 OFFSETS

**A13a Does the company explicitly address the corruption risks associated with offset contracting?**

Guidance Notes The assessor is looking for evidence that the company has processes for addressing offset contract corruption risks, for example through policies, procedures and contractual terms that increase transparency and accountability in its offset programme. These measures might include incorporating offset contracting into normal business conduct requirements, business ethics practices and into training programmes. The assessor will also look for evidence such procedures are regularly updated. The term “offset contract” here refers to both direct offset and indirect offset arrangements or any other terms to indicate such arrangements (e.g. counter-trade agreements). If there is no evidence that the company enters into offset contracts, or if the company specifically states that it does not enter offset contracts, this question should be scored NA. If the company states that it does not enter offset contracts because it views them as bad practice in a way that links to corruption risk (that they are, for example, secretive, opaque, or overly complex), then this question should be scored 2.

**A13b Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?**

**Guidance Notes** Here “partners” refers both to the customer with whom the offset contract is negotiated and any business partnerships formed in pursuance of the offset contract. “Brokers” refers to agents/intermediaries contracted to arrange offset contracts on the company’s behalf. The assessor is looking for evidence that due diligence has been conducted on all its current offsets partners / brokers, and is conducted as a matter of policy on all new offsets partners / brokers. The assessor will also look for evidence that the company has a policy to refresh the due diligence at least every 3 years, or earlier when there is a significant change in the business relationship or 17 nature of the partner. If there is no evidence that the company enters into offset contracts, or if the company specifically states that it does not enter offset contracts, this question should be scored NA. If the company states that it does not enter offset contracts because it views them as bad practice in a way that links to corruption risk (that they are, for example, secretive, opaque, or overly complex), then this question should be scored 2.

## PILLAR 3: COMPANY

### 3.1 POLICIES AND CODES POLICIES

**A15 Does the company have an anti-corruption policy that prohibits corruption in its various forms?**

**Guidance Notes** The assessor is looking for evidence that the company has a comprehensive anti-corruption policy. This includes the prohibition of both the giving and receiving of bribes. Additionally, the policy should identify corruption in its various forms, such as kickbacks and undue influence as well as bribes. It is noted and accepted that the anti-corruption policy may be situated within a wider company policy or exist as a separate set of policies.

**A16 Is the anti-corruption policy explicitly one of zero tolerance?**

**Guidance Notes** The company has an explicit statement contained within its policies that it has a zero tolerance policy of corruption or bribery. This does not include signing up to external organisations such as the Common Industry Standards that may have similar language.

<b>A17</b>	<b>Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?</b>
Guidance Notes	The assessor is looking for evidence of easy availability to any person requiring access. This could include translated into multiple languages (at least the main geographies that the company operates in) and publication of the policy in an intranet or publicly available site.
<b>A17a</b>	<b>Is the company's anti-corruption policy easily understandable and clear to Board members, employees and third parties?</b>
Guidance Notes	The assessor is looking for evidence that the anti-corruption policy is written in clear, understandable terms for all audiences and not couched in dense, legal terms. The policy should be easily understood by a new employee or third party who has not worked in the sector before, and is unfamiliar with the corruption risks. Note that whereas this question refers to ease of understanding, the previous question, A17, refers to ease of access.
<b>A18</b>	<b>Does the anti-corruption policy explicitly apply to all employees and members of the Board?</b>
<b>A19</b>	Removed from the original global Index.
<b>A20</b>	<b>Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?</b>
Guidance Notes	A conflict of interest may be the underlying cause of, or might lead to, corrupt behaviours. The assessor is looking for evidence of a clearly worded policy on potential conflicts of interest, including a definition of conflict of interest and where such a policy might apply (ideally illustrated by examples).

### 3.2 GIFTS AND HOSPITALITY

<b>A21</b>	<b>Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?</b>
Guidance Notes	The assessor is looking for evidence that the giving and receipt of gifts is controlled so as to ensure that such transactions are not corrupt and comply with laws such as the UK Bribery Act and its provisions for FPOs. This might be through setting clear upper limits on the acceptable value of a gift, stating the nature of a gift that cannot be given or received under any circumstances (e.g. cash) and / or the requirement for senior management authorisation if a value threshold is exceeded.

**A22** **Does the company's anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?**

Guidance Notes The assessor is looking for evidence that the giving and receipt of hospitality is controlled so as to ensure that such transactions are not corrupt and comply with laws such as the UK Bribery Act. This might be through setting clear upper limits on the acceptable value of hospitality, stating the nature of hospitality that cannot be given or received under any circumstances (e.g. night clubs) and / or the requirement for senior management authorisation if a value threshold is exceeded plus documentation of hospitality given or received.

### 3.3 FACILITATION PAYMENTS

**A23** **Does the company have a policy that explicitly prohibits facilitation payments?**

Guidance Notes The assessor is looking for evidence that the policy is clear and prohibits facilitation payments excepting where there they are made to protect against a threat of loss of life, limb or liberty (that is, personal danger), and that any such facilitation payments are declared and recorded.

### 3.4 POLITICAL CONTRIBUTIONS

**A24** **Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?**

Guidance Notes The assessor is looking for evidence that the company recognises the corruption risk posed by political contributions, and has a policy that sufficiently regulates such transactions so as to ensure that they are not corrupt. This might be through prohibiting the company from giving political contributions, or, when the company does give donations, authorization is required from individuals with legal expertise in the company with the explicit purpose of preventing undue influence or other corrupt intent. Recipients should be declared and guidelines on the application of the regulations should be clear. It is not sufficient to state that the company complies with relevant laws and regulations.

**A25** **Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?**

**Guidance Notes** The assessor is looking for evidence that the company recognises the corruption risk posed by lobbying activities, and has a policy that sufficiently regulates such activity so as to ensure that it is not corrupt. This might be through prohibiting the company from engaging in lobbying activities, or, when the company does engage in lobbying, authorization is required from individuals with legal expertise in the company with the explicit purpose of preventing undue influence or other corrupt intent. Guidelines on the application of the policy should be clear. It is not sufficient to merely state that the company complies with relevant laws and regulations.

**A25a** **Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?**

**Guidance Notes** The assessor is looking for evidence that the company recognises the corruption risk that can be posed by charitable contributions, and has a policy that sufficiently regulates such transactions so as to ensure that they are not corrupt. This should include internal controls such as criteria for donations and procedures for approval including counter signatures, checks and balances, and due diligence on potential recipients. Recipients should be declared and the outcomes of donations monitored.

## PILLAR 4: TRAINING

### 4.1 GENERAL TRAINING

**A26** **Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?**

**Guidance Notes** The assessor is looking for evidence that the ethics and compliance agenda is fully explained to employees through the use of written guidance. This would be expected to contain examples to illustrate particular situations, for example in the form of scenarios or case studies. The guidance should ensure an unambiguous understanding of the policies in place, with any areas of uncertainty in meaning or application fully explained.

**A27** **Does the company have a training programme that explicitly covers anti-corruption?**

Guidance Notes Anti-corruption training that is focused, and grounded by assessment of where corruption risk is highest, is a crucial part of a company's efforts to promote integrity. Yet often, anti-corruption training is contained within a larger corporate compliance or Code of Ethics training programme. The assessor is looking for evidence that anti-corruption training is either explicitly provided as a separate training programme or is a module that is part of the company's larger ethics training programme.

**A28** **Is anti-corruption training provided in all countries where the company operates or has company sites?**

#### 4.2 SPECIALIST TRAINING

**A29** **Does the company provide targeted anti-corruption training to members of the Board?**

Guidance Notes Board members a) have particular governance responsibilities for ethics and compliance and b) may need to know specific aspects of anti-corruption related to their Board roles, e.g. member of the Audit Committee. The assessor is looking for evidence that the company recognises this and provides appropriate anti-corruption training to Board members who are re-trained at least every 3 years.

**A30** **Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?**

Guidance Notes The assessor is looking for evidence that the company has assessed the training needs of employees in sensitive positions and provides tailored ethics and anti-corruption training. Sensitive positions are those that will expose an employee to potentially corrupt situations at a greater frequency than other staff and / or to more specific forms of corruption. Functions that have high risk can include marketing, government relations, contracting, in-country project management, sales, etc.

# PILLAR 5:

## PERSONNEL AND HELPLINES

### 5.1 PERSONNEL AND DISCIPLINE

**A31 Does the company have a clear and formal process by which employees declare conflicts of interest?**

Guidance Notes The assessor is looking for evidence of a formal process. The conflict should be declared to an independent department such as Legal, HR or specific Conflict of Interest office. If conflicts are reported only to managers, the declaration should be formal and in writing. A 20 policy to talk to the employee's manager but no evidence of how the conflict is recorded and resolved is not sufficient.

**A32 Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?**

Guidance Notes The assessor is looking for evidence that the company has an explicit policy that states it will apply disciplinary procedures to employees, Directors and Board members that may have engaged in corruption activities. Since the anti-corruption policy could be housed within a wider Code of Ethics, the company could state that employees found to violate this code will face disciplinary procedures.

### 5.2 HELPLINES AND WHISTLEBLOWERS

**A33 Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?**

Guidance Notes The assessor is looking for evidence that the company provides multiple different channels for employees to report instances of suspected corrupt activity, and clear and appropriate reporting lines. This includes both internal and external, independent channels. Additionally, a good approach to reporting channels also allows for some anonymous outlets, perhaps online or through a hotline, including the ability for two-way confidential or anonymous communication between the whistleblower and the company. Reporting to a General Counsel or line manager is often not effective as employees may not feel comfortable speaking up to these individuals.

<b>A33a</b>	<b>Are the whistleblowing channels available to all employees in all geographies?</b>
Guidance Notes	The assessor is looking for evidence that employees from all geographies have access to multiple channels to report corruption.
<b>A33b</b>	<b>Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?</b>
Guidance Notes	A whistleblower is defined here as an employee who reports misconduct in a company internally or externally, before, during, or after the event. The assessor is looking for evidence of mechanisms that reduce or eliminate the fear to report concerns, through serious, visible, credible efforts to ensure that employees are comfortable doing so. This may include monitoring of whistleblowing channel usage statistics, independent employee surveys, and follow up with the whistleblower after serious incidents have been reported and investigated.
<b>A34</b>	<b>Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?</b>
Guidance Notes	The assessor is looking for evidence of such resources, for example in the form of trained managers, trained ethics officers, telephone helplines, an external ombudsman (subject to attorney-client privilege), etc.
<b>A35</b>	<b>Is there a commitment to non-retaliation for bona fide reporting of corruption?</b>
Guidance Notes	The assessor is looking for evidence that commitment to non-retaliation for bona fide reporting of corruption is clearly stated and that employees who breach this commitment will be disciplined.

# TABLE OF RESULTS

COMPANY	SECTION 1	SECTION 2	SECTION 3	SECTION 4	SECTION 5
Excalibur Army spol. s.r.o.	45 %	29 %	79 %	50 %	57 %
Explosia a.s.	10 %	7 %	4 %	0 %	0 %
ICZ a.s.	10 %	29 %	8 %	20 %	21 %
Retia a.s.	45 %	29 %	79 %	50 %	57 %
STV GROUP a.s.	50 %	50 %	54 %	60 %	43 %
Tatra Trucks a.s.	60 %	50 %	88 %	70 %	50%
VOP CZ, s.p.	40 %	7 %	33 %	40 %	36 %
VTÚ, s.p.	65 %	14 %	75 %	0 %	79 %
LOM Praha s.p.	35 %	7 %	29 %	80 %	79 %
Česká zbrojovka a.s.	0 %	0 %	4 %	0 %	0 %
AERO Vodochody AEROSPACE a.s.	5 %	7 %	33 %	0 %	0 %
Sellier & Bellot, a.s.	0 %	0 %	0 %	0 %	0 %
MPI Group, s.r.o.	0 %	0 %	0 %	0 %	0 %
Poličské strojírný a.s.	0 %	0 %	0 %	0 %	0 %
Zenit, spol. s.r.o.	0 %	0 %	0 %	0 %	0 %
Meopta - optika, s.r.o.	0 %	0 %	0 %	0 %	0 %
Ray Service, a.s.	0 %	0 %	0 %	0 %	0 %
SVOS, spol. s.r.o.	0 %	0 %	0 %	0 %	0 %
Gumotex, a.s.	0 %	0 %	0 %	0 %	0 %
Trade FIDES, a.s.	0 %	0 %	0 %	0 %	0 %
Praga-export s.r.o.	0 %	0 %	0 %	0 %	0 %
ERA a.s.	0 %	0 %	0 %	0 %	0 %
OMNIPOL a.s.	0 %	0 %	0 %	0 %	0 %

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