

List of recommendations

Aspiration of the Company	Recommendation 1 The Board of Directors should decide and communicate the Company's strategic aspiration and intention to be a leader in standards of ethical business conduct among global companies. <i>(page 39 of the report)</i>
Openness and transparency	Recommendation 2 The Company should be an advocate of its own ethical standards and must adopt the principle of openness and transparency. All ethical business conduct policies and procedures must be publicly available and easily accessible. The Company should be open about the actions it has undertaken to investigate allegations of unethical behaviour and about the outcomes. <i>(page 39 of the report)</i>
A global code of ethical business conduct	Recommendation 3 The Company should develop, publish and implement a global code of ethical business conduct. The Board should ensure the proposed global code is comprehensive and reflects the high standards of ethical business conduct consistent with the aspiration and intention to become a leader among global companies. <i>(page 41 of the report)</i>
Role of the Board of directors	Recommendation 4 The Board should develop its increasingly proactive role in ensuring high standards of ethical business conduct in all the Company's activities. It should be a standing item on its agenda. There should be an explicit assessment of ethical and reputational risks in all business decisions taken by the Board. Board members should themselves be exemplars of the standards set out in the global code and receive regular briefings on emerging issues in business ethics. <i>(page 41 of the report)</i>

<p>Role of the Corporate Responsibility Committee (CRC)</p>	<p>Recommendation 5</p> <p>The Board Corporate Responsibility Committee (CRC) should have primary responsibility for oversight and reporting on standards of ethical business conduct and the management of reputational risk. This role should be performed as the Audit Committee performs its task of managing financial risk. <i>(page 42 of the report)</i></p>
	<p>Recommendation 6</p> <p>The Company's Internal Audit function should ensure that ethical business conduct and the management of reputational risk is specifically assessed in all audit reports and the results, and progress made against recommendations, provided to the CRC. The additional skills and resources required for Internal Audit should be provided to achieve this. The CR and Audit Committees should hold at least one joint meeting a year to decide on the preparation of the annual internal audit programme. <i>(page 43 of the report)</i></p>
<p>The role of senior executives</p>	<p>Recommendation 7</p> <p>Members of the senior executive team and heads of business units have both a personal and collective responsibility to demonstrate high standards of ethical business conduct and to achieve effective implementation of the global code. Both should be reflected in their performance appraisals and in the variable element of their remuneration. <i>(page 43 of the report)</i></p>
	<p>Recommendation 8</p> <p>There should be a senior executive, supported by a sufficiently resourced team, reporting to the CEO and with direct access to the Chair of the CRC, who has responsibility for the programme to ensure and assure there are high standards of ethical business conduct across the Company. <i>(page 44 of the report)</i></p>

Decision making within the Company

Recommendation 9

The Company should develop formal processes to ensure business decisions are only taken following an explicit consideration of ethical and reputational risks. Where such risks are identified, the process should ensure any decision to proceed is taken at the appropriate level, and should include ratification by the Board. *(page 45 of the report)*

Review of key ethical policies and procedures

Recommendation 10

Policies and procedures in areas of potential ethical risks should be regularly reviewed, with particular attention to the areas of greatest risks. The planned programme of reviews by the Company should ensure a consolidated and comprehensive suite of policies consistent with the global code, providing employees with a clear pathway to understanding how the Company's standards of ethical conduct can be applied in day-to-day business situations. *(page 46 of the report)*

Selection, appointment and management of advisers

Recommendation 11

The Company should ensure that the new process for selection, appointment and management of advisers is fully codified and integrated into the mandatory policy and procedures of the operational framework, and that appropriate guidance and training in the process is provided to all relevant employees. This should make explicit:

- a requirement to undertake face-to-face interviews, involving a company lawyer, as part of the due diligence process with all advisers whose activities require the interaction with potential customers;
- a general presumption that the identity of such advisers will be made known to potential customers; and
- endorsement by the Board of the adviser panel's recommendations and their explicit approval of any decision to make an appointment contrary to the panel's advice. *(page 47 of the report)*

Offset policy	<p>Recommendation 12</p> <p>Advisers engaged to assist in Offset arrangements in export contracts should be subjected to the same due diligence and approval process as Advisers on the principal export contract. Offset contracts should be subject to a due diligence process requiring an explicit assessment of ethical and reputational risks and be capable of being audited for this. The Company should also be proactive in encouraging greater scrutiny and transparency by governments of the Offset elements of defence contracts. <i>(page 48 of the report)</i></p>
Facilitation payments	<p>Recommendation 13</p> <p>The Company should continue to forbid facilitation payments as a matter of global policy. While it may not be possible to eliminate such payments immediately in some countries, management and employees in those countries need to be supported to ensure all such payments are reported to senior executives and to the Board, and the means developed to eliminate them completely over time. <i>(page 48 of the report)</i></p>
Gifts, hospitality and donations	<p>Recommendation 14</p> <p>The Company should implement central registers (by individual country) to enable information to be collected and monitored on aggregate spend on gifts and hospitality to individuals and overall to each customer. Aggregate spend by individual country on gifts and hospitality should be reported annually to the CRC. The policy on gifts and hospitality should be circulated to customers, contractors and suppliers and the Company should agree and document acceptable standards and expectations of behaviour with each customer government. A global policy on corporate donations should be developed, consistent with the global code and the policy of openness and transparency. <i>(page 49 of the report)</i></p>

**Acquisitions,
joint ventures
and contractors**

Recommendation 15

The Company should:

- for all new majority joint ventures require the adoption of its global code and associated policies and procedures, or equivalent standards;
- for all new minority joint ventures, mergers and acquisitions, undertake a due diligence assessment of standards of ethical business conduct compared to those of the Company, and ensure to the extent possible that equivalent standards are put in place;
- for all new key contractors, require the adoption of its global code and associated policies and procedures, or equivalent standards in all of its collaborative activities; and
- for all existing relationships, implement a programme to achieve the above. *(page 49 of the report)*

**Employee ethics
line**

Recommendation 16

As part of the programme to ensure that equivalent standards are in place for joint ventures and with key contractors, the Company should extend to them appropriate access to its ethics helpline. *(page 50 of the report)*

**Government
relations and
lobbying**

Recommendation 17

The Company should ensure an explicit assessment of proposed lobbying positions or campaigns against the values and standards in the global code, and that regular reports on this are submitted to the CRC. *(page 51 of the report)*

Investigation and disciplinary procedures	<p>Recommendation 18</p> <p>The Company should make explicit its commitment to take a proactive approach to instigating internal investigations into allegations of unethical behaviour and to the disclosure of any material findings to the relevant authorities. Aggregate information on disciplinary actions for unethical behaviour should be included in internal and external publications. <i>(page 51 of the report)</i></p>
Security division	<p>Recommendation 19</p> <p>Any proposals for the appointment of third parties to provide the Company's Security Division with information should be subject to the same process (including Panel review) as for advisers. Regular reports on the activities of the Security Division, and compliance with ethical policies and procedures, should be provided to the CRC. <i>(page 51 of the report)</i></p>
Training	<p>Recommendation 20</p> <p>A well-resourced training programme, in which every person in the Company participates, should be undertaken as part of the implementation of the global code and revised and repeated at regular intervals. Specific training modules should also be developed for senior executives and business unit leaders. Systems for monitoring these programmes should be developed so that they are able to provide the necessary assurance to the CRC as to their effectiveness. <i>(page 52 of the report)</i></p>
Leadership in collective action by the defence industry	<p>Recommendation 21</p> <p>The Company should take a more proactive leadership role in its engagement with the defence industry, governments, NGOs and other external interest parties to develop initiatives that will address the key ethical and reputational issues affecting the defence industry. <i>(page 53 of the report)</i></p>

External communication

Recommendation 22

The Company should be as open and transparent as possible in communicating all of its activities. Where this is not possible the Company should explain the reasons why. *(page 53 of the report)*

Assurance and reporting

Recommendation 23

The Board/CR Committee should commission and publish an independent external audit of ethical business conduct and the management of reputational risk in the Company within three years and at regular intervals thereafter. *(page 54 of the report)*