

Most UK defence companies score well in a new index on corruption. But 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 some 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 claims.

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."

"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).

"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.

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.

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 anticorruption 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.

Further information, analyses, and recommendations can be found at www.defenceindex.org/companies