



Business Ethics Research 'Corruption Indices'

Sustainability Research



for SRI / Sustainability Research Brokerage Firm

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Corruption Risks - Investor « Need to know »:

- New radical regulatory regime + slow corporate culture change = risk
- Analysts are not valuing the full financial materiality of Corruption: fines are only the visible part of the Iceberg
- US is the largest threat with "extra territorial" law Foreign Corrupt Practices Act (FCPA)... and DF1504
- European players still most exposed globally due to US FCPA enforcement
- Anti-corruption regulation is ultimately about competitiveness and protecting national interest
- EC Proposals for Transparency in pipeline include Banks, Extractive and Forestry (Telco & Construction considered)
- Country by Country Reporting is critical to spot illicit payments data and mitigate investor risk
- Disclosure is a critical forward looking indicator but legacy risks remain a serious issue despite recent transparency
- Track record of prosecutions is often a contrarian indicator for ESG Risk assessment
- Strong need to contextualize: aggressive emerging market strategies increases the risk profile of companies
- Short term pain: transparency will likely increase payments scrutiny and corruption risk
- It pays to be transparent: Courts and judgements increasingly favours transparency
- Substantial ground for engagement: tools such as our Corruption Index help to identify risky profiles.
- Beware: investors may be liable for companies on which they have a significant influence (SFO)



The European Corruption Index

Table 1: Kepler Cheuvreux Ex Company	Sector	Disclosure score Grade based on TI methodology	Risk Exposure View (after adjustments)
MAUREL ET PROM	Oil & Gas Producers	F	9
GLENCORE	Mining	F	9
EADS	Aerospace & Defense	C	8
RHEINMETALL AG	Aerospace & Defense	E	8
ENRC	Mining	c	٤
ERAMET	Mining	E	8
LUNDIN PETROLEUM	Oil & Gas Producers	Ē	E
BOSKALIS	Construction	Ē	٤
TECNICAS REUNIDAS	Oil Services	E	٤
IMPREGILO	Construction	D	8
ENI	Oil & Gas Producers	В	٤
NESTE OIL	Oil & Gas Producers	E	8
BOURBON	Oil Services	D	-
SAIPEM	Oil Services	В	7
DASSAULT AVIATION	Aerospace & Defense	E	;
TOTAL	Oil & Gas Producers	B	-
ALLIANCE OIL COMPANY	Oil & Gas Producers	D	-
MAYR-MELNHOF KARTON AG	Paper & Forestry	E	=
VALLOUREC	Oil Services	D	-
ROLLS ROYCE	Aerospace & Defense	Č	=
ASTALDI	Construction	c	-
OHL	Construction	Č	=
KONE CORP	Capital Goods	E	
SUBSEA 7	Oil Services	č	-
	Capital Goods	_	
ANSALDO METSA BOARD	Paper & Forestry	D D	(
		D	6
PRYSMIAN	Capital Goods		(
ERICSSON	Telecoms	В	(
ALFA LAVAL	Capital Goods	D	(
ENCE	Paper & Forestry	F	(
FINMECCANICA S.P.A.	Aerospace & Defense	c	(
ALSTOM	Capital Goods	В	•
ESSAR ENERGY	Oil & Gas Producers	C	•
TOGNUM	Aerospace & Defense	D	•
ERG	Oil Services	E	•
SBM Offshore	Oil Services	В	•
CGG	Oil Services	C	
ABERTIS	Construction	D	
SAFRAN S.A.	Aerospace & Defense	D	:
TENARIS	Oil Services	С	:
GALP ENERGIA	Oil & Gas Producers	С	
THYSSENKRUPP AG	Aerospace & Defense	С	:
PGS	Oil Services	В	:
TELENOR	Telecoms	С	
BILLERUD	Paper & Forestry	D	
MILLICOM	Telecoms	В	:
TELIASONERA	Telecoms	В	:
CAF	Construction	D	
NEXANS	Capital Goods	D	
TELEFONICA	Telecoms	C	
REPSOL	Oil & Gas Producers	В	
SARAS	Oil & Gas Producers	С	
SAAB AB	Aerospace & Defense	С	
LEGRAND	Capital Goods	С	
BHP BILITON	Mining	A	
FCC	Construction	ĉ	
TECHNIP	Oil Services	В	
MTU AERO ENGINES GMBH	Aerospace & Defense	D	
AREVA	Mining	c	
KSTRATA	Mining	В	

Table 2: Kepler Cheuvreux Exposure Index					
Company	Sector	Disclosure score grade based on TI methodology	Risk exposure view (after		
			adjustments) (100=max risk exposure)		
VOPAK	Oil Services	С	51		
UPM KYMMENE	Paper & Forestry	С	51		
TULLOW OIL	Oil & Gas Producers	A	50		
TELEKOM AUSTRIA	Telecoms	В	50		
BOLIDEN	Mining	C	50		
BP	Oil & Gas Producers	A	49		
SCHNEIDER	Capital Goods	С	49		
AHLSTROM	Paper & Forestry	C	48		
KONINKLIJKE PHILIPS ELECTRONICS N.V.	Capital Goods	В	47		
NORSKE SKOG	Paper & Forestry	С	47		
VINCI	Construction	c	47		
SANDVIK	Capital Goods	В	45		
BILFINGER	Construction	c	45		
SACYR VALLEHERMOSO SA	Construction	č	45		
SMURFIT	Paper & Forestry	c	45		
SMITHS GROUP	Capital Goods	c	45		
ANTOFOGASTA	Mining	č	45		
ORKLA	Capital Goods	č	43		
FRANCE TELECOM	Telecoms	В	43		
ANGLO AMERICAN	Mining	Ā	42		
BOUYGES	Construction	ĉ	42		
FRAPORT	Construction	č	42		
TELE2	Telecoms	č	42		
ACS	Construction	c	42		
TELECOM ITALIA	Telecoms	c	42		
RD SHELL	Oil & Gas Producers	В	41		
FERROVIAL	Construction	c	41		
ATLASS COPCO	Capital Goods	В	40		
SCA	Paper & Forestry	В	40		
HOLMEN	Paper & Forestry	c	40		
NORSK HYDRO	Mining	В	40		
REXEL	Capital Goods	D	39		
ALCATEL LUCENT	Capital Goods	В	39		
STORA ENSO	Paper & Forestry	В	39		
OMV	Oil & Gas Producers	Č	37		
RIOTINTO	Mining	Ā	35		
DEUTSCHE TELEKOM	Telecoms	ĉ	35		
EIFFAGE	Construction	č	35		
MAN SE	Capital Goods	В	35		
HOCHTIEF	Construction	В	33		
KPN	Telecoms	В	33		
WEIR GRP	Capital Goods	В	33		
	Mining	В	31		
ARCELOR AMEC	Oil Services	В	30		
BAE SYSTEMS	Aerospace & Defense	В	30		
		В	28		
THALES S.A. ASSA ABLOY	Aerospace & Defense Capital Goods	В	27		
	Telecoms	_	24		
VODAFONE		A	24		
MEGGITT SIEMENS	Aerospace & Defense	B A	24		
	Capital Goods				
STATOIL	Oil & Gas Producers	A	22		
SKANSKA	Construction	В	22		
ABB	Capital Goods	A	21		
BG GROUP	Oil & Gas Producers	A	18		
BALFOUR BEATTY	Construction	A	17		

Source: Kepler Cheuvreux



Expectations for an Efficient Anti-Corruption System

Item	Characteristic
Whistle blowing	Anonymous, maintained externally, audited by third party, open to non employees (i.e. suppliers & business partners), with non retaliation policy, reporting on usage and enforcement actions
Facilitation payments (routine, usually small payments to government officials to expedite processes already obliged to perform)	Facilitation payments prohibition policy. Allowed only in case of Health or Safety emergency where it must be documented and preventative measures introduced.
Risk assessment	Full in depth risk assessment of processes, services and regions most at risk.
	Due diligence in M&A
Zero tolerance	Public declaration of zero tolerance, ideally by a signed CEO statement
Third parties	Application of policy to all associated parties and contractual obligations to third parties to ensure anti-bribery provisions.
	Specific Anti-Corruption Checks, Guidelines & Training for areas such as Anti-Cartel, Taxation, R&D and HSE and other relevant areas if found to be at risk of the use of bribery through requirement to use third parties and official authorisations
Top-level commitment:	Anti-corruption statement publically signed off by CEO
Board-level accountability	Designated person responsible for anti-corruption systems
Training	Global application of compulsory training including e-learning in multiple languages for the most relevant departments and geographical regions
	Clear policy with suggested price limits on gifts, hospitality and entertainment, charitable donations, political donations. Specific
Operational policy	implementation programmes for acquisitions and subsidiaries
Clear-reporting lines	Down from board level, via the Chief Compliance Officer, to employees
Investigation, enforcement & incentives	Regular checks and audits and for all reported cases, Disciplinary measures effected. Incentives in variable pay to include element based on ethics criteria
Industry-specific guidance for each business	
line	Key business units given differentiated guidance where necessary according to business risk
Supplier selection process	Suppliers obliged contractually to uphold ant- bribery due diligence. Dropped if refuses to sign