
Bribery and corruption Red Flags

1 Bribery and Corruption Red Flags

A common principle in modern anti-bribery and corruption regimes is that a company can be held legally liable for failing to prevent bribery or consciously disregarding the risk of bribery committed through its business partners.

Hence, a company must identify and assess bribery risks associated with its business partners and take adequate measures to manage and mitigate those risks. Indicators of bribery risks are commonly referred to as red flags.

A **Red Flag** means a fact, event or set of circumstances, or other information that may suggest a potential concern for illegal or unethical business conduct.

This document includes a non-exhaustive list of examples of Red Flags in relation to dealings with Business Partners. Certain Red Flags can be and are identified and handled through Saab's processes for onboarding business partners. However, it is important to understand that just because a business partner is approved and on-boarded, this does not mean that all corruption risks are handled. To the contrary, a Red Flag may appear at any time during a cooperation. Therefore, we must keep a close eye on the business partner and our relationship throughout the entire cooperation and be mindful of Red Flags that may appear along the way. The existence of a Red Flag does not mean that Saab automatically must cease dealing with the Business Partner, but any Red Flag must be promptly investigated and resolved.

If you identify a Red Flag that has not already been identified and managed as part of Saab's onboarding process you are instructed to immediately report the information to Group Ethics and Compliance.

The Country

- The business prospect takes place in a country perceived as having a serious corruption problem.
- The business segment has a perception of being very corrupt or difficult to address without engaging third parties.

Business prospect

- The business prospect has a high value.
- The business prospect involves decision makers on a political level.
- The business prospect is towards a government customer.
- The business prospect involves offset requirements.
- There are no formal offset rules or regulations in place.
- The customer is not likely to follow a formal and transparent tender process.
- The business prospect is identified at a late stage.
- Saab is highly dependent on the support of business partners to address the customer.

Introduction and selection

- The business partner is recommended by someone outside of Saab.
- The business partner is selected without considering other alternatives.
- The business partner is engaged at a late stage.

Due diligence data

- The due diligence information is incomplete or inaccurate.
- The due diligence information cannot be verified by data or is only anecdotal.
- The business partner is hesitant to provide references.
- The references provided are not relevant for the business prospect.
- The business partner claims to work with other well-reputed companies but they are not among the listed references in the due diligence material.

Ownership and management

- It is hard to determine the ultimate ownership of the business partner.
- The ownership is through what could be determined as a shell company.
- The business partner or its owner(s) is incorporated in a tax haven.
- There are indications of proxy ownership.
- The business partner has a complex or unorthodox ownership structure.

Ties to and interaction with Public Officials

- The business partner has one or more owners, managers or directors who is a public official.
- There are family ties between business partner owners or representatives and public officials.
- There are close personal ties between business partner owners or representatives and public officials.
- The business partner has financial ties or business relationships with public officials.
- The business partner will interact with public officials in the sales phase of the co-operation.
- The business partner insists on meeting with public officials without the participation of Saab personnel.
- The business partner has previously worked in a government agency at a high level or in a department or division that is relevant for the business prospect.
- The primary purpose for engaging the business partner is its connections to public officials.

Lack of track record

- The business partner is newly established.
- The business partner is established solely for the purpose of the business prospect.
- Saab has no previous experience of working with the business partner.
- The business partner has no track record of working with other well-reputed firms.
- The business partner has no track record of working in the relevant industry.

Insufficient resources and capabilities

- The business partner does not seem to have the know-how, experience, resources, or financial standing required for the business prospect.
- The business partner does not have a business presence in the country of the business prospect.
- The business partner's address is in a mail drop location, virtual office, or small private office that could not hold a business of the size that is claimed.
- The business partner is not willing to meet in its office.
- The business partner is reliant or dependent on contacts, relationships and resources outside its own operations.

Unwillingness to be transparent

- The business partner is not transparent about ways of working, meetings, connections etc.
- The business partner is unwilling or hesitant to be transparent about the co-operation.
- The business partner requests his identity to remain confidential.
- The business partner requests that the relationship remains secret.

Use of third parties

- The business partner wants to engage third parties (sales representatives, market consultants, agents etc.).
- The justification for the engagement of third parties is unclear.
- The business partner does not have a robust third-party onboarding process.

Questionable practices or circumstances

- The business partner is not expected to perform substantial work.
- The business partner's scope of work is vague or unclear.
- The business partner is not performing services in accordance with the agreed scope of work.
- The business partners make suspicious statements of the sort that a certain amount of money is needed to "get the business", pay for "customer's standard costs" or any other poorly specified purpose.
- The business partner engages in lavish hospitality or entertainment.
- The business partner makes requests for customer visits or trips without clear purpose.
- The business partner makes or suggests political contributions or charitable donations.
- The business partner requests false or inaccurate information from Saab.
- The business partner pushes for getting a Letter of Authorisation with the pretext of a deadline prior to formally being on-boarded.
- The business partner is willing to work without a formal contract.
- There are rumours or indications about the business partner's unauthorized use of confidential information.
- The business partner brings unknown people with unclear roles to meetings.
- The business partner requests to share compensation with others whose identities are not disclosed or introduced at a late stage.

- The business partner indicates readiness to violate customer policies or instructions (integrity pacts, revolving door policies etc.).
- The business partner indicates readiness to violate applicable laws or regulations.

Poor reporting

- The business partner does not report on the performance of its services in accordance with the agreement.
- The business partner does not submit agreed activity reports on time.
- The activity reports do not give a satisfactory account of the services performed.
- The activity reports contain plagiarized information.

Financial reward and compensation model

- The intended co-operation will have a significant upside, impact or risk for the business partner.
- The remuneration model includes incentives such as commissions or bonuses.
- The business partner's remuneration, or reward, from the co-operation can be seen as excessive.

Payments and invoicing

- The business partner makes requests for increased compensation during a sales or marketing campaign or at period end.
- The business partner proposes improper payments or facilitation payments to officials.
- The business partner requests payments in advance or on terms that differ from those in the agreement.
- The business partner claims ill-defined compensation for travel, expenses or similar that cannot be supported by receipts or other documentation.
- The business partner requests a sudden change of bank account.
- The business partner requests payment into a different jurisdiction than where it is incorporated.
- The business partner request payment in the name of a third party.

- The business partner requests payments in cash, cash equivalent, or bearer instruments.
- The business partner requests payment in another country's currency.
- The business partner requests payments to be split into several transactions.

Compliance maturity

- The business partner does not have a compliance program in place.
- The compliance program seems inadequate to the size or nature of the business.
- The compliance program gives the impression of a mere paper product.
- The business partner is reluctant to accept anti-bribery and corruption clauses.
- The business partner is hesitant to accept audit clauses for undeclared reasons.

Reputation

- The business partner or any representative has been the subject of allegations or investigations concerning bribery, tax or financial fraud, export/import violations, antitrust violations, money laundering, or human trafficking.
- The business partner or any representative has been debarred, suspended, or otherwise restricted from doing business with any government.
- There is adverse media, rumours, or any other information connected to the business partner, that could indicate a corruption- or reputational risk for Saab.
- Other companies have terminated the business partner for improper conduct or for unknown reasons that raises concerns about the ethical conduct of the party.