The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>80%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
<td>21.4%</td>
</tr>
<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>75%</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>40%</td>
</tr>
<tr>
<td>Personnel and Helplines</td>
<td>7</td>
<td>85.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>64.6%</strong></td>
</tr>
</tbody>
</table>
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?

Score:

2

Comments:
Based on public information, there is evidence that the company has published several strong statements from Chairman, President and CEO Michael T. Strianese, supporting the ethics and anti-corruption agenda of the company. These statements can be found in the Code of Ethics and Business Conduct, the Annual Reports and on the company website.

References:
Public:
Code of Ethics and Business Conduct, (01.2012), p.1:
‘Message from the Chairman, President and CEO
Ethics is one of L-3’s core values. It is the foundation upon which we built this company and governs how we conduct business. Our commitment to integrity, accountability, respect and excellence has made us one of the top aerospace and defense contractors in the world.
L-3 is dedicated to providing an ethical, safe, productive workplace, free from discrimination and harassment. To achieve this goal, we have a shared responsibility to conduct ourselves ethically in our interactions with co-workers, customers, suppliers and competitors, as well as in the communities where we live and work. L-3’s supervisors and managers have a special obligation to model ethical behavior and promote an environment that complies with our standards.
This Code of Ethics and Business Conduct provides principles and guidelines that apply to everyone at L-3, regardless of position or level of responsibility, as well as those who act on our behalf. I urge you to read this document carefully and become thoroughly familiar with its contents. We also have other valuable resources to assist you, including ethics officers and an employee helpline for your use whenever you have questions or concerns.
L-3 is known for our dedicated people, outstanding performance and ethical business practices. Your continued commitment to value-based ethical behavior will ensure that we maintain our reputation as a company of integrity and a premier provider of services and solutions for our customers.’
Company website: Message from the CEO
Michael T. Strianese: Chairman, President and Chief Executive Officer
‘We have built this company on sound principles that are exhibited throughout our four business segments.
-Performance – For more than a decade, we have delivered superior performance as a prime contractor, systems integrator and supplier of advanced components for major programs.
-Agility and Collaboration – We are known for our ability to combine know-how and technology quickly and effectively to create the solutions our customers need. Our entrepreneurial culture enables the speed and responsiveness of a small organization, while delivering the benefits of its collective scale.
-Innovation – Our commitment to innovation extends beyond new technologies to applying creative solutions for every aspect of a program, helping L-3 set the standard in the markets in which we compete.
-Commitment to the Customer – We work closely with our customers to define their requirements and produce solutions that help them respond to their own unique realities.
-Ethics – Ethics is the cornerstone of our business. L-3 has developed a robust Code of Ethics and Business Conduct framework that is applicable to all who work on behalf of our company.’

2013 L-3 Annual Report (2014), p.3:
Message from Michael T. Strianese, Chairman, President and Chief Executive Officer
‘I would like to thank our 48,000 colleagues for their outstanding efforts in 2013 and their deep commitment to excellence, accountability and integrity. That commitment was the driving force behind our achievements.’

L-3 2012 Annual Report (2013), p.4:
Message from Michael T. Strianese, Chairman, President and Chief Executive Officer
‘Our commitment to operating with integrity and accountability includes supporting the communities where we live and work.’

(p.5): ‘At the end of the day, our strength comes from our people. We are an organization of innovators, with an experienced management team and dedicated employees who take pride in our reputation for superior program execution. We are focused on our customers’
needs and committed to the highest ethical standards. By continuing to work together and adhering to our strategy, I am confident that L-3 will emerge from today’s challenges stronger and ready to take advantage of the future’s opportunities.”
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?

Score:

2

Comments:

Based on public information, there is evidence that the company’s Chairman, President and CEO demonstrates a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company. TI also notes that the company’s Chairman, President and CEO currently holds the Chairmanship of the AIA (Aerospace Industries Association). However, this evidence is inapplicable, as the AIA does not have a sufficient anti-corruption focus.

References:

Public:
Connect magazine (March 2014):
The buck stops here
A look at leadership through the eyes of three alumni CEOs
‘Mike Strianese, CEO of L-3 Communications, says what’s most important in his industry is setting and upholding a culture of ethical excellence. For Monique Leroux, CEO of Desjardins Group, leadership is about positive feelings and the ability to convey a passion for excellence and team spirit to everyone in her organization.’

‘A passion for ethics
Beyond his enthusiasm for L-3 and its mission as a supplier to the military, Strianese takes pride in the fact that, to the best of his knowledge, he’s the only Fortune 500 CEO who previously served as a corporate ethics officer.
“People may laugh at that, but to me, being a leader is having an extreme passion for what I do, and that includes a passion for the highest ethics.” This passion deepened when Strianese left EY to work for an aerospace and defense (A&D) company.
It was the early 1990s, about the same time the A&D industry was being accused of huge cost overruns and excessive government billings. “Compared to the exemplary ethical
behavior I experienced at EY, this was an environment that was completely foreign to me,”
recalls Strianese.

As a result, he established L-3’s ethics program when the company was formed in 1997 and
took a “keen interest” in helping to improve corporate ethics within the A&D industry.
Strianese takes pride in noting that by the time the Sarbanes-Oxley Act passed in 2002, the
industry and L-3 were “already way out in front.”

March2014-2

ASD Annual Convention, Prague (April 2014):
11.15–11.40 Keynote speech: Michael T. Strianese, Chairman AIA,
Chairman and Chief Executive Officer L-3 Communications Corporation

Company website: Board of Directors
‘Mr. Strianese is chairman of the Aerospace Industries Association. He is also a member
of the Council on Foreign Relations. Mr. Strianese has been recognized by the Association of
the United States Army with its John W. Dixon Award and has received the Semper Fidelis
Award from the Marine Corps Scholarship Foundation, as well as the Eisenhower
Distinguished Citizen Award from the Army Distaff Foundation.’

AIA Chairman/Executive Committee:
Michael T. Strianese
Chairman, Aerospace Industries Association
Chairman, President & Chief Executive Officer, L-3 Communications Corporation
http://www.aia-aerospace.org/about/leadership_governance/executive_committee/

AIA website: Mission, vision & values
1. 'Adhere to the highest standards of ethical conduct.
2. Commit to seeking consensus positions on all issues of importance to our entire
   membership while maintaining free and open discussion and ensuring all views are
   heard.
3. Communicate to all audiences openly, clearly, promptly, and honestly.
4. Meet the challenges of a global aerospace, defense, and homeland security industry.
5. Enhance and promote flight safety and security as the foundation for maintaining
   the public’s trust in the aviation system.
6. Develop and maintain partnerships and coalitions with government and national and
   global stakeholders who share our goals to identify solutions, achieve change, and
maximize efficient use of resources.

7. Maintain excellence through leadership and the quality of our actions, services, relationships, and knowledge of the issues.

8. Ensure an equal opportunity environment and value the strength diversity brings to our workforce.

9. Serve the entire membership according to the association bylaws and the direction of the Board of Governors.

10. Encourage industry programs that are designed to reduce environmental impacts and enhance worker health.

http://www.aia-aerospace.org/about/mission_vision_values/
A3: Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company’s CEO demonstrates a strong, personal, internal-facing commitment to its ethics and anti-corruption agenda.

References:

Public:
NA
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?

Score:

2

Comments:
Based on public information, there is evidence that the company has a statement of values representing high standards of ethical business conduct, including integrity, honesty, trust and accountability. The company explains what they mean by such values and why they matter to the organisation.

References:
Public:
Company website: About L-3
‘L-3: Success Defined
- Agility: L-3's ability to respond and adapt quickly to the needs of our customers and the environment.
- Innovation: L-3's drive for developing new technologies, new ideas, and new ways of thinking to deliver the best solutions for our customers.
- Commitment: L-3's continual focus on quality, service and performance to meet and exceed our customers' expectations.
At L-3, success is defined by our ability to meet our customers' needs. That's why every part of our business is focused on quick and agile response, innovative thinking and a relentless commitment to getting the job done.’
http://www.l-3com.com/about-l-3

Company website: Message from the CEO
‘We have built this company on sound principles that are exhibited throughout our four business segments.
- Performance – For more than a decade, we have delivered superior performance as a prime contractor, systems integrator and supplier of advanced components for major programs.'
Agility and Collaboration – We are known for our ability to combine know-how and technology quickly and effectively to create the solutions our customers need. Our entrepreneurial culture enables the speed and responsiveness of a small organization, while delivering the benefits of its collective scale.

Innovation – Our commitment to innovation extends beyond new technologies to applying creative solutions for every aspect of a program, helping L-3 set the standard in the markets in which we compete.

Commitment to the Customer – We work closely with our customers to define their requirements and produce solutions that help them respond to their own unique realities.

Ethics – Ethics is the cornerstone of our business. L-3 has developed a robust Code of Ethics and Business Conduct framework that is applicable to all who work on behalf of our company.’


Code of Ethics and Business Conduct (01.2012), p.i:

‘Our Values

At L-3, we operate with integrity, excellence, accountability and respect in everything we do. Our values provide the foundation for our commitment to the highest level of ethical conduct, a commitment we take very seriously.

Integrity: We demonstrate integrity by operating honestly and fairly. We apply our values and principles to our daily business activities and make sure our actions always reflect the highest level of ethical conduct. We each take responsibility for knowing the laws and regulations governing L-3 and meeting the Company’s ethical standards.

Excellence: Our Company insists on excellence. Our customers, fellow employees, communities, and shareholders expect and deserve superior performance in our products and services and in the way we conduct business every day. Maintaining a level of excellence that is appropriate to our position as a global leader depends on an individual commitment from each of us to act with integrity, accountability, and respect any time we represent the Company.

Accountability: Accountability signals our ability to make and keep commitments. Our reputation depends on our ability to reliably and consistently deliver on our promises and to earn and keep the trust of our customers, shareholders, fellow employees, and the community at large.

Respect: Acting with respect is fundamental to our strength as an organization. We treat customers, suppliers, outside parties, and one another with dignity, fairness and courtesy. We support an inclusive culture where diversity in people and perspective is valued. We cooperate across organizational boundaries, focusing on adding value and earning the trust of our teammates.’

(p.8): ‘Financial Integrity. Honest, accurate, and timely recording and reporting of our financial transactions is critical to our reputation. All transactions between our Company and outside individuals are entered in our books and records using local accounting standards and adjusted to be in accordance with U.S. Generally Accepted Accounting
Principles. All of our records must reflect each transaction fully and accurately, on a timely basis. If you have any reason to believe that a record is inaccurate, false, or misleading, contact an appropriate company resource, such as your manager or the Ethics Office.’

(p.11): ‘It is never permissible to offer anything of value for corrupt purposes, such as obtaining favorable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.’

(p.16): ‘Our shareholders trust that we will always act in the best interests of the Company. A “conflict of interest” can arise when a personal interest conflicts or appears to conflict with the best interests of the Company. Personal interests include significant ownership in another company by you, your spouse, children, parents, or in-laws. Anyone who believes they may have a potential conflict of interest must complete the Disclosure of Personal Conflict of Interest form found in our Personal Conflict of Interest policy.’

(p.27): ‘Treating Suppliers Fairly
We treat our suppliers and business partners with fairness, courtesy, and respect. We comply with the terms and conditions of our agreements with our suppliers and we honor our commitments. We are careful to protect the confidential and proprietary information entrusted to us by our suppliers and partners. We should not take unfair advantage of anyone through manipulation, concealment, abuses of privileged information, misrepresentation of material facts, or any other unfair practice.’

(p.28): ‘Honest Communications and Marketing Activities
We believe that lasting customer relationships are built on integrity and trust. We seek to gain fair advantage over our competitors through superior research, service, manufacturing, and marketing. We must never seek to win business through improper or questionable business practices.

Truthful and accurate communication about products and services is essential to meeting our responsibilities to our customers. We must be honest in marketing, in preparing bids and proposals based on current, accurate, and complete cost and pricing data, and in truthfully negotiating contracts.’

2013 Annual Report on Form 10-K, p.2: ‘Maintain an Entrepreneurial, Accountable, Ethical and Results-Driven Culture. A key part of L-3’s strategy is our entrepreneurial, accountable, and results-driven culture that focuses on meeting our customers’ needs and on achieving L-3’s strategic goals and growth objectives. L-3’s culture is made up of diverse people providing creative, innovative and affordable

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WWW.L-3COM.COM
solutions and ideas in an environment that fosters teamwork and collaboration across our business units. Operating with integrity and a commitment to the highest standards of ethical conduct and maintaining strong internal controls are foundational elements of our strategy to build and maintain the trust of our customers, shareholders, employees, suppliers and communities where we live and work.’

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?

Score:

2

Comments:
Based on public information, there is evidence that the company is a member of DII and IFBEC.

References:

Public:
Company website: Board of Directors
‘Mr. Strianese is chairman of the Aerospace Industries Association. He is also a member of the Council on Foreign Relations. Mr. Strianese has been recognized by the Association of the United States Army with its John W. Dixon Award and has received the Semper Fidelis Award from the Marine Corps Scholarship Foundation, as well as the Eisenhower Distinguished Citizen Award from the Army Distaff Foundation.’

AIA website: Mission, vision & values
‘1. Adhere to the highest standards of ethical conduct.’

IFBEC website: Our Members
The company is listed as a member
http://ifbec.info/our-members/

DII website: Signatories
The company is listed as a member
http://www.dii.org/signatories
A6:
Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score:

2

Comments:
Based on public information, there is evidence that the company’s Audit Committee has overall corporate responsibility for the company’s ethics and anti-corruption agenda. Clear terms of reference detail what this responsibility entails, including reviewing any ethical matters brought to the attention of the Corporate Ethics Officer.

References:

Public:
Audit Committee Charter (12.2013), p.1:
“The Audit Committee (or, the “Committee”) is established for the primary purpose of assisting the Board of Directors in oversight of the:
1. Quality and integrity of the Company’s financial statements, reports, and the Company’s related internal control over financial reporting,
2. Company’s compliance with legal and regulatory requirements,
3. Qualifications and independence of the independent auditors, and
4. Performance of the Company’s internal audit function and independent auditors’

(p.5): ‘12. Review the internal audit function, including the independence and authority of its reporting obligations, the internal audit plans proposed for the coming year, and the coordination of such plans with the work of the independent auditors.
13. Review periodically a summary of findings from completed internal audits and a progress report on the proposed internal audit plan, with explanations for any deviations from the original plan and review such summary and plan with the internal audit department.
14. Review the adequacy of the internal audit staff and review and concur in the appointment, replacement or dismissal of the Vice President of Internal Audit’

(p.6): ‘24. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, or violations of the Company's Code of Ethics and Business Conduct, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting practices or auditing matters and alleged violations of the Company’s Code of Ethics and Business Conduct.

25. Review annually the status of the Company’s Ethics and Business Conduct Program, including its training program, and consider any changes to the Company’s Code of Ethics and Business Conduct. Report on any amendments that may be needed to that program or to the Codes.

26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.’

‘29. Periodically inquire of the Company's General Counsel regarding the Company's compliance with relevant legal and regulatory requirements such as Securities and Exchange Commission, Federal Acquisition Regulation and Foreign Corrupt Practices Act, and the adequacy of control systems in place to assure such compliance.’
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?

Score:

2

Comments:

Based on public information, there is evidence that the company has appointed Corporate Ethics Officer Alfred Piccirillo, with responsibility for implementing the company’s ethics and compliance agenda. Evidence suggests that the Corporate Ethics Officer has a direct reporting line to the Audit Committee.

References:

Public:
Company website: Company profile
‘Steven M. Post: Senior Vice President, General Counsel and Corporate Secretary’

2013 L-3 Annual Report (2014), p.12:
‘Alfred Piccirillo: Senior Vice President, Internal Audit, Corporate Services and Corporate Ethics Officer’

Company website: Board of Directors
Michael T. Strianese
‘Until 2007, he also served as the company’s first corporate ethics officer, where he led the development and implementation of a comprehensive, company-wide integrity program for L-3 employees.’

Audit Committee Charter (12.2013), p.6:
‘26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters
brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.

‘29. Periodically inquire of the Company’s General Counsel regarding the Company’s compliance with relevant legal and regulatory requirements such as Securities and Exchange Commission, Federal Acquisition Regulation and Foreign Corrupt Practices Act, and the adequacy of control systems in place to assure such compliance.’
A8:
Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:
2

Comments:
Based on public information, there is evidence that the Audit Committee annually reviews the ethics and compliance agenda. This process includes evaluating the training programme and considering changes to the Code of Ethics and Business Conduct.

References:
Public:
Audit Committee Charter (12.2013), p.6:
‘24. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, or violations of the Company’s Code of Ethics and Business Conduct, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting practices or auditing matters and alleged violations of the Company’s Code of Ethics and Business Conduct.
25. Review annually the status of the Company’s Ethics and Business Conduct Program, including its training program, and consider any changes to the Company’s Code of Ethics and Business Conduct. Report on any amendments that may be needed to that program or to the Codes.
26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.’
‘29. Periodically inquire of the Company’s General Counsel regarding the Company’s compliance with relevant legal and regulatory requirements such as Securities and Exchange Commission, Federal Acquisition Regulation and Foreign Corrupt Practices Act, and the adequacy of control systems in place to assure such compliance.’
A8(a):
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?

Score:

0

Comments:
Based on public information, there is no readily available evidence of a formal, clear plan that guides the review of the ethics agenda, or that improvement plans are implemented when issues are identified.

References:
Public:
TI notes:
Audit Committee Charter (12.2013), p.6:
‘25. Review annually the status of the Company’s Ethics and Business Conduct Program, including its training program, and consider any changes to the Company’s Code of Ethics and Business Conduct. Report on any amendments that may be needed to that program or to the Codes.
26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.’
‘29. Periodically inquire of the Company's General Counsel regarding the Company's compliance with relevant legal and regulatory requirements such as Securities and Exchange Commission, Federal Acquisition Regulation and Foreign Corrupt Practices Act, and the adequacy of control systems in place to assure such compliance.’
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?

Score:
2

Comments:
Based on public information, there is evidence that the company has a formal process to review and update its policies and practices, in response to actual or alleged instances of corruption.

References:
Public:
Company website, Anti-Corruption:
‘L-3 has a comprehensive compliance program with established policies, procedures, training, and internal controls to ensure that its business activities reflect the highest levels of ethical conduct. The policies and procedures are reviewed on an ongoing basis to identify areas in need of improvement, and they are updated as necessary and appropriate. Policies, procedures, training, and related internal controls are also tested on an ongoing basis by Internal Audit and the departments governing the policies. The following overviews describe the spirit of the policies that serve as the foundation for ethical business practices and anti-corruption compliance.

Overview of Company Policies
...Corporate Policy 709
This policy sets forth the ethical standards of conduct and practices that must be followed by L-3 in conducting international business. L-3 prohibits public and private sector bribery in accordance with the U.S. FCPA, the UK Bribery Act, and other laws enacted pursuant to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The policy’s related procedures outline the detailed steps and approvals required for training, hospitality, and appropriate record-keeping. L-3 policy prohibits facilitation payments. Anyone that becomes aware of any suspected violation must report it promptly to corporate headquarters. A formal review process exists to ensure any identified control gap or weaknesses are addressed and controls are updated to strengthen the
company framework for compliance. Furthermore, internal controls over processing of high risk transactions have been built into the company’s SOX framework.’


Audit Committee Charter (12.2013), p.6:

‘24. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, or violations of the Company’s Code of Ethics and Business Conduct, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting practices or auditing matters and alleged violations of the Company’s Code of Ethics and Business Conduct.

25. Review annually the status of the Company’s Ethics and Business Conduct Program, including its training program, and consider any changes to the Company’s Code of Ethics and Business Conduct. Report on any amendments that may be needed to that program or to the Codes.

26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.’
A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:
0

Comments:
Based on public information, there is limited evidence that the company has a formal anti-corruption risk assessment procedure implemented enterprise-wide. The Audit Committee discusses with management guidelines and policies, with respect to risk assessment and risk management. Also, the company identifies compliance with anti-corruption legislation as a risk when carrying out international sales. However, there is no readily available evidence of the formality of the process, the existence of mitigation plans or the ownership of implementation.

References:
Public:
Audit Committee Charter (12.2013), p.6:
‘Discuss with management the guidelines and policies with respect to risk assessment and risk management including major financial risk exposure, the steps taken to monitor and control such risks and material Enterprise Risk Management changes.’

2013 Annual Report on Form 10-K, p.24:
‘Our sales to certain international customers expose us to risks associated with operating internationally. For the year ended December 31, 2013, sales to international customers, excluding our international sales made under FMS agreements directly between the U.S. Government and allied international governments, represented approximately 17% of our consolidated sales. Consequently, our businesses are subject to a variety of risks that are specific to international operations, including the following:

- export regulations that could erode profit margins or restrict exports;
- compliance with the U.S. Foreign Corrupt Practices Act and similar non-U.S. regulations;
- the burden and cost of compliance with foreign laws, treaties and technical standards and changes in those regulations;
- contract award and funding delays;
potential restrictions on transfers of funds;
currency fluctuations;
import and export duties and value added taxes;
transportation delays and interruptions;
uncertainties arising from international local business practices and cultural considerations; and
potential military conflicts and political risks.

While we have and will continue to adopt measures to reduce the potential impact of losses resulting from the risks of our international business, we cannot ensure that such measures will be adequate.
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?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has 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.

References:
Public:
TI notes:
2013 Annual Report on Form 10-K, p.25:
‘Our business acquisition strategy involves risks, and we may not successfully implement our strategy.
We opportunistically seek to acquire businesses that enhance our capabilities and add new technologies, products, services, programs, contracts, and customers to our existing businesses. We may not be able to continue to identify acquisition candidates on commercially reasonable terms or at all. If we make additional business acquisitions, we may not realize the benefits anticipated from these acquisitions, including sales growth, cost synergies and improving margins. Furthermore, we may not be able to obtain additional financing for business acquisitions, since such additional financing could be restricted or limited by the terms of our debt agreements or due to unfavorable capital market conditions.
The process of integrating the operations of acquired businesses into our existing operations may result in unforeseen difficulties and may require significant financial and managerial resources that would otherwise be available for the ongoing development or expansion of our existing operations. Possible future business acquisitions could result in the incurrence of additional debt and related interest expense and contingent liabilities, each of which could result in an increase to our already significant level of outstanding debt, as well as more restrictive covenants.
We consider and may enter into strategic business acquisitions on an ongoing basis and may be evaluating acquisitions or engaging in acquisition negotiations at any given time. We regularly evaluate potential acquisitions and joint venture transactions and have not entered into any agreements with respect to any material transactions at this time. Furthermore, in certain of our business acquisitions we have assumed all claims against and liabilities of the acquired business, including both asserted and unasserted claims and liabilities."
A11: Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score: 1

Comments: Based on public information, there is evidence that the company conducts due diligence when selecting third parties. TI understands this to include agents. However, there is no readily available evidence that the due diligence is refreshed at least every three years or when there is a significant change in the business relationship. The company therefore scores 1.

References:

Public:
Code of Ethics and Business Conduct (01.2012), p.13:
'You must also be careful when considering retaining agents to represent our interests outside the United States. L-3 has strict approval requirements for such consultants.'

Company website, Anti-Corruption:
Overview of Company Policies
‘Corporate Policy 706
This policy requires that risk-based due diligence must be performed on prospective third parties both before and throughout the business relationship. The policy’s related procedures outline the detailed steps used to perform due diligence in an attempt to identify any potential risks and red flags. Red flags are addressed with additional due diligence and/or the assistance of legal counsel in order to mitigate potential corruption risks.’
A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

0

Comments:
Based on public information, there is evidence that the company expects third parties to conform to its Code of Conduct. However, there is no readily available evidence that the company has contractual rights and processes for the monitoring, control, and audit of agents, with respect to countering corruption.

References:
Public:
TI notes:
Company website: Code of Ethics
‘The Corporation has adopted a Code of Ethics and Business Conduct applicable to all of the Company directors, officers and employees. It may also apply to agents, consultants, contract labor and others who act on behalf of L-3.’

Code of Ethics and Business Conduct (01.2012), p.5:
‘The Code applies to everyone who does business on behalf of L-3, including employees, officers and members of the Board of Directors. Our Company also expects that all third parties with whom we contract, including agents, suppliers, and contractors will act in accordance with the principles outlined in this Code when conducting business on L-3’s behalf.’

(p.6): As a manager...
‘Communicate the Company’s commitment to conducting business ethically and in compliance with all laws and regulations to all third parties whom you oversee and review and confirm that their actions and behaviors are consistent with L-3’s values and with this Code.’
It is never permissible to offer anything of value for corrupt purposes, such as obtaining favorable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.
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?

Score:
2

Comments:
Based on public information, there is evidence that the company makes clear to contractors, sub-contractors, and suppliers, its stance on bribery and corruption. The terms and conditions for suppliers include an affirmation that the supplier will conduct business ethically, and adhere to the company's Code of Ethics and Business Conduct. The company has the right to termination if a supplier violates the contract.

References:
Public:
Company website: Code of Ethics
‘The Corporation has adopted a Code of Ethics and Business Conduct applicable to all of the Company directors, officers and employees. It may also apply to agents, consultants, contract labor and others who act on behalf of L-3.’

Code of Ethics and Business Conduct (01.2012), p.5:
‘The Code applies to everyone who does business on behalf of L-3, including employees, officers and members of the Board of Directors. Our Company also expects that all third parties with whom we contract, including agents, suppliers, and contractors will act in accordance with the principles outlined in this Code when conducting business on L-3’s behalf.’

(p.6): As a manager...
‘Communicate the Company’s commitment to conducting business ethically and in compliance with all laws and regulations to all third parties whom you oversee and review and confirm that their actions and behaviors are consistent with L-3’s values and with this Code.’
(p.11): 'It is never permissible to offer anything of value for corrupt purposes, such as obtaining favorable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.'

(p.27): ‘We achieve success through collaborative efforts with our business partners. We honor all of our contractual obligations. We share our standards of business conduct with our suppliers and expect that they will reflect those standards when conducting business on our behalf’

‘Selecting Suppliers

We promote competitive procurement to the maximum extent practicable. Whenever procuring materials, supplies, equipment, consulting, and other services, it is our policy to solicit a sufficient number of responsible and qualified subcontractors to obtain competitive prices and the necessary levels of quality and support. Our selection of subcontractors, suppliers, and vendors will be made on the basis of objective criteria such as, but not limited to, quality, technical excellence, price, delivery, adherence to schedules, service and maintenance of adequate sources of supply, and the existence of an ethical standard of behavior.’

L-3 Communications General T&C For Supply & Services Subcontracts (01.2014), pp.3-4:

‘(e) Seller shall: (i) comply with the requirements of the Foreign Corrupt Practices Act, as amended, (FCPA) (15 U.S.C. §§78dd-1, et. seq.), regardless of whether Seller is within the jurisdiction of the United States; (ii) neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery; and, (iii) Seller hereby agrees not to interact with any government official, political party or public international organization on behalf of Buyer without the prior written permission of the Buyer’s Procurement Representative. (f) Seller’s failure to comply with the entirety of this Article shall be immediate cause for default.

13. Standards of Business Ethics and Conduct

Buyer will conduct its business fairly, impartially, and in an ethical and proper manner. Buyer’s expectation is that Seller also will conduct its business fairly, impartially, and in an ethical and proper manner and in doing so Seller will adhere to Buyer’s published Code of Ethics, which is available at http://www.l-3com.com/suppliers/ethics-information.html or http://www.l-3com.com/code-of-ethics-and-business-conduct—english or if available Seller’s version which is consistent with the terms of Buyer’s Code of Ethics. Seller shall not engage in any personal, business or investment activity that may be defined as a conflict of interest, whether real or perceived. If Seller has cause to believe that Buyer or any
employee or agent of Buyer has behaved improperly or unethically under this contract, Seller is encouraged to exert reasonable effort to report such behavior when warranted.’

Distributor Questionnaire (2011), p.2:
Code of Ethics & Compliance section. For example, ‘do employees receive training regarding ethical business practices?’
http://www.l-3com.com/suppliers/forms.html

L-3 Communications General T&C For Supply & Services Subcontracts (07.2010), p.2:
‘12. Compliance with Law: (a) Seller shall comply with all applicable provisions of Federal, state, and local laws; ordinances and all lawful orders; rules, regulations. FAA, DOT and other transportation regulations and Hazard Communication Standards promulgated pursuant to the Occupational Health and Safety Act.
(b) Seller shall control the dissemination of and access to technical data, information and other items received under this Subcontract in accordance with U.S. export control laws and regulations.
(c) Seller shall comply with the requirements of the Foreign Corrupt Practices Act, as amended, (FCPA) (15 U.S.C. §§78dd-1, et. seq.), regardless of whether Seller is within the jurisdiction of the United States; and (ii) neither directly nor indirectly, pay, offer, give, or promise to pay or give, any portion of monies or anything of value received from Buyer to a non-U.S. public official or any person in violation of the FCPA and/or in violation of any applicable country laws relating to anti-corruption or anti-bribery.
13. Ethical Standards of Conduct: Seller shall neither receive nor give any gifts or gratuities in connection with this Subcontract. Seller’s employees are required to conduct company business with integrity and maintain a high standard of conduct in all business-related activities. Seller shall not participate in any unethical conduct during performance of this Subcontract. Seller shall not engage in any personal, business, or investment activity that may be defined as a conflict of interest, whether real or perceived.’
A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:
0

Comments:
Based on public information, there is no readily available evidence that the company addresses the corruption risks associated with offset contracting.

References:
Public:
NA
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company conducts due diligence when selecting its offset partners and brokers. TI notes the company states that it conducts due diligence on third parties, but is looking for an explicit reference to offset partners and offset brokers.

References:
Public:
TI notes:
Company website, Anti-Corruption:
Overview of Company Policies
‘Corporate Policy 706
This policy requires that risk-based due diligence must be performed on prospective third parties both before and throughout the business relationship. The policy’s related procedures outline the detailed steps used to perform due diligence in an attempt to identify any potential risks and red flags. Red flags are addressed with additional due diligence and/or the assistance of legal counsel in order to mitigate potential corruption risks.’
A15:
Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score:

2

Comments:
Based on public information, there is evidence that the Code of Ethics and Business Conduct prohibits corruption in its various forms, including the giving or receiving of bribes, kickbacks and conflicts of interest.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.9:
‘Avoiding Kickbacks
Soliciting or accepting anything of value to influence award of, or work under a U.S. government contract or subcontract is a violation of the anti-kickback laws. A “kickback” is providing something of value either to reward or obtain favorable treatment on a government contract. There are serious consequences associated with failing to disclose a potential kickback. Accordingly, if you have reason to believe that a bribe or kickback has been offered or accepted, you must immediately report this to L-3’s Legal Department or the Ethics Office.’

(p.11): ‘Bribery and Corruption
It is never permissible to offer anything of value for corrupt purposes, such as obtaining favourable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.
The Foreign Corrupt Practices Act (“FCPA”). Whether you are an L-3 employee based in the United States or based abroad, the Foreign Corrupt Practices Act prohibits offering,
soliciting, or providing anything of value to a foreign official, or accepting anything of value from a foreign official, for the purpose of improperly influencing decision-making. It also prohibits unlawful political contributions to obtain or retain business overseas. Finally, the Act prohibits the use of false records or accounts in the conduct of L-3’s business. We must be careful when retaining third parties to represent the Company’s interests outside the United States, as the Company can be held liable for the unlawful actions of such third parties. The Company’s Anti-Bribery and Compliance with the Foreign Corrupt Practices Act Policy must strictly be adhered to. If you have any questions, you should contact L-3’s Legal Department.’

(p.12): ‘Gifts and Entertainment
Our business transactions should always be free from even a perception that favorable treatment was sought, received, or offered through gifts, favors, hospitality, entertainment, or similar gratuities. Our definition of business courtesies, gifts and hospitality is broad and includes tickets, fees, or passes to sporting or cultural events, lodging, meals, door prizes, and other items of value. If you ever have any questions concerning gifts or entertainment, consult the Ethics Office.

Gifts and Entertainment with U.S. Government Representatives
The U.S. Government is our largest customer, and we must respect the special laws surrounding contracting with the U.S. Government. With few exceptions, U.S. Government agencies have strict prohibitions against their employees accepting any business courtesies. Therefore, except as otherwise permitted by law or regulation, we are prohibited from offering or providing any business courtesy, including meals, entertainment, travel, or lodging expenses for any U.S. Government employee or representative. Modest refreshments, such as soft drinks, tea, coffee, and fruit offered on an occasional basis, in conjunction with business activities, are acceptable. If you deal with representatives of a particular federal agency, you are responsible for complying with that agency’s standards of conduct. Where there is a question as to a particular agency’s standards of conduct, you must contact the Ethics Office in advance for guidance.

Similarly, those who deal with U.S. state or local government officials are responsible for knowing and adhering to the rules that may apply to such state or local government employees. Generally, such officials are often under prohibitions similar to those of U.S. Federal Government employees.’

‘Scenario
A U.S. Federal Contracting Officer and I will be traveling to the airport at the same time following a meeting. May I offer the Contracting Officer a ride and save her a taxi ride?

Guidance
No. Providing transportation to a U.S. Government executive branch employee is generally prohibited unless the individual pays the market value of the transportation.

Scenario
We are in the midst of a contract procurement. I know that the U.S. Government Contracting Officer is a wine connoisseur, and I would like to send her a small gift basket of
Guidance

No. It would be a violation of L-3’s prohibitions on gratuities to government employees as well as a violation of government regulations for the Contracting Officer to accept the offer.’

(p.13): ‘Gift and Entertainment with Foreign Government Employees and Officials.

Employees of national and local governments are subject to a wide variety of different laws and regulations. Consult your location’s policies, as well as applicable laws and regulations, prior to offering anything of value to such employees. If you have questions, consult the Ethics Office or the Legal Department.

In instances where customs in certain countries require the exchange of gifts, the Company will, to the extent permitted, provide the gift. Any gifts, other than those of nominal value, received from representatives of these countries will become company property.

Whether you are an L-3 employee based in the United States or based abroad, you must understand and abide by the Foreign Corrupt Practices Act, which is described in this Code. Before offering or providing anything of value to foreign public officials, you must obtain advance approval from the Legal Department.

You must also be careful when considering retaining agents to represent our interests outside the United States. L-3 has strict approval requirements for such consultants.

Gifts and Entertainment with Non-Government Persons. We may provide meals, refreshments, or entertainment of reasonable value to non-government persons in support of business activities, provided:

- The business courtesy is not offered as a “quid pro quo,” (offered for something in return for the courtesy)
- The courtesy does not violate any law, regulation, or the standards of conduct of the recipient’s organization. It is our responsibility to inquire about any prohibitions or limitations applicable to the recipient’s organization before offering any business courtesy; and
- The courtesy is consistent with marketplace practices, infrequent in nature, and is not lavish or extravagant. It cannot cause embarrassment or reflect negatively on our reputation.

(p.14): Soliciting and Receiving Gifts and Entertainment. Our business transactions should always be free from even a perception that favorable treatment was sought, received or offered through gifts, favors, hospitality, entertainment, or similar gratuities. While there are certain circumstances under which it is permissible to accept such items, we are expected to follow a course of action that complies with the following guidelines:

- Soliciting Gratuities: We may not solicit, directly or indirectly, for our benefit or for the benefit of another person, any gift, favor, or other gratuity from a person or organization with which the company does business or that seeks to do business with L-3. Soliciting a gift, favor or other gratuity is strictly prohibited regardless of the nature or value of the item or service.

- Giving and Receiving Gratuities: We may not accept business courtesies that constitute, or
could be reasonably perceived as constituting, unfair business inducements or that could violate law, regulation or policies of L-3 or its customers or could cause embarrassment or reflect negatively on L-3’s reputation.

If you have any question about gifts and entertainment, consult with your manager or contact the Ethics Office.’

‘Scenario

I would like to offer a private customer a calendar embossed with our logo at year-end. Is this permissible?

Guidance

Assuming that there is no violation of the customer’s rules or standards of conduct, this would be acceptable.’

(p.16): ‘Conflicts Of Interest

Our shareholders trust that we will always act in the best interests of the Company. A “conflict of interest” can arise when a personal interest conflicts or appears to conflict with the best interests of the Company. Personal interests include significant ownership in another company by you, your spouse, children, parents, or in-laws. Anyone who believes they may have a potential conflict of interest must complete the Disclosure of Personal Conflict of Interest form found in our Personal Conflict of Interest policy. The Ethics Office or your manager can help you resolve any potential issues once you have disclosed the potential conflict of interest.

Although L-3 encourages employees to engage in outside activities that do not conflict with L-3’s business, you must always avoid even the appearance of a conflict of interest.

Examples of possible conflicts of interest include:

- Financial Interests. Financial interests can become conflicts of interest if you have a significant financial interest in a current or potential supplier, customer, or competitor.
- Personal Relationships. Personal relationships can create conflicts of interest if you have a close relationship with someone who works for a supplier, customer, or competitor. Personal relationships can also create conflicts when you manage, or are managed by, someone with whom you have a close relationship, including a romantic relationship. Even if you believe you are acting properly, your relationship may be perceived by others as improperly influencing your judgment. This can damage morale and disrupt workplace productivity.
- Corporate Opportunities. Taking personal advantage of business opportunities that you discover through the use of company property, information, or position are considered "corporate opportunities" and create conflicts of interest.
- Outside Employment with a Supplier or Customer. We may not be employed by or serve as a director of a supplier or customer, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.
- Outside Employment with Competition. We may not compete with the Company or consult with or be employed in any capacity by a competitor, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a
director or executive officer, the Board of Directors.’

Code of Ethics and Business Conduct Addendum UK (02.2012), p.4:

Gifts and Entertainment with U.K. Government Representatives

Like the United States, U.K. government agencies have strict prohibitions against their employees accepting any gifts, money, free loans, discounts on purchases, invitations to sporting or cultural events, offers of hospitality, holidays or transport costs. Any permitted gifts of a seasonal or trivial nature will be provided by the Company.

Bribery and Improper Payments

English law prohibits bribery. Under the United Kingdom Bribery Act 2010 (“Bribery Act”), U.K. enforcement authorities have jurisdiction over bribery-related offenses that occur in the U.K. as well as those that occur outside of the U.K. where the offense itself or the individual or company involved has sufficient links to the U.K. (e.g., U.K. citizens, U.K. residents, U.K. companies). The Bribery Act is similar to the FCPA in some respects, but also broader than the FCPA in several ways. Unlike the Bribery Act, the Bribery Act prohibits individuals and companies from bribing foreign government officials either directly or indirectly. Note that, for purposes of the Bribery Act, foreign government officials would include U.K. government officials.

Unlike the FCPA, the Bribery Act also covers pure private bribery, i.e. the bribery of U.K. government officials. In addition, also unlike the FCPA, the Bribery Act covers private-to-private (commercial) bribery. The Bribery Act prohibits both the offering or giving of bribes and the solicitation or receipt of bribes. Its general bribery offenses prohibit a person from promising or giving, directly or indirectly, a financial or other advantage to another person, intending to induce or reward the improper performance of a relevant function or activity. A relevant function or activity includes any public function, or any activity connected with a business or performed in the course of a person’s employment.

The Bribery Act also makes it a criminal offense for a company that conducts business in the U.K. to fail to prevent bribery. A company can be held liable when a person associated with the company, such as an employee, agent, advisor, contractor, intermediary, or representative, bribes another person (whether a government official or a commercial counterparty) intending to obtain or retain business or a business advantage for the company, even if the company and its employees had no knowledge of the bribe. The only defense available to this kind of charge is that L-3 had in place adequate procedures designed to prevent persons associated with it from engaging in such conduct. Therefore, it is imperative that employees follow L-3’s anti-corruption policies and procedures.

Finally, unlike the FCPA, the Bribery Act does not include an exception for facilitating payments, i.e. small payments made to low-level government officials to induce them to perform routine government functions where otherwise they may not be inclined to do so. L-3’s Code of
Finally, unlike the FCPA, the Bribery Act does not include an exception for facilitating payments, i.e. small payments made to low-level government officials to induce them to perform routine government functions where otherwise they may not be inclined to do so. L-3’s Code of Conduct strictly prohibits L-3 employees from making facilitating payments, and any L-3 employee who is asked to make such a payment should immediately contact the Ethics Office.

**Mandatory Obligation to Disclose Certain Misconduct**

The United States Federal Acquisition Regulation (FAR) requires the mandatory disclosure of credible evidence of US federal criminal law violations involving fraud, conflict of interest, bribery, or gratuity violations, as well as claims under the US Civil False Claims Act, and significant overpayments. This mandatory disclosure obligation continues up through three (3) years after contract close-out. In order to comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation of criminal or civil law, or significant overpayment on a US Government contract or subcontracts, to your responsible Ethics Officer or the Corporate Ethics Officer. You may also report these matters through the Ethics Hotline. Reporting of these matters is mandatory, although you may use the
A16: Is the anti-corruption policy explicitly one of zero tolerance?

Score:

2

Comments:
Based on public information, there is evidence that the company has zero tolerance of bribery.

References:
Public:
Company website: Code of Ethics and Business Conduct
‘No employee shall, on behalf of L-3 Communications engage in any conduct that violates any law or is otherwise inconsistent with the highest levels of honesty and integrity.’
http://www.l-3com.com/suppliers/ethics-information.html

Code of Ethics and Business Conduct (01.2012), p.11:
‘Bribery and Corruption
It is never permissible to offer anything of value for corrupt purposes, such as obtaining favourable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.’
A17:
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?

Score:
2

Comments:
Based on public information, there is evidence that the company’s Code of Ethics and Business Conduct is easily accessible to Board members, employees and third parties. It is available on the company website in multiple languages.

References:
Public:
Company website: Code of Ethics and Business Conduct – Translated
Various language versions of the Code of Ethics and Business Conduct:

Company website: Code of Ethics and Business Conduct
English language version of the Code of Ethics and Business Conduct and country addendums:
A17(a):
Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:
2

Comments:
Based on public information, there is evidence that the company’s Code of Ethics and Business Conduct is written in accessible, comprehensible language. The Code is well structured, includes numerous examples and does not contain dense, legal terms.

References:

Public:
Code of Ethics and Business Conduct (01.2012), p.11:
‘Bribery and Corruption
It is never permissible to offer anything of value for corrupt purposes, such as obtaining favourable treatment with a respective customer. L-3 complies with all anti-bribery and corruption laws around the world and prohibits anyone from offering, soliciting, or accepting any bribe, whether dealing with government officials, political parties, or representatives of commercial organizations. “Bribes” does not mean just money, but anything of value, including gifts, entertainment, or other favors solicited or received for an improper purpose. We expect this same integrity from all third parties, agents, and anyone else with whom we work on the Company’s behalf.’

(p.16): ‘Conflicts Of Interest
Our shareholders trust that we will always act in the best interests of the Company. A “conflict of interest” can arise when a personal interest conflicts or appears to conflict with the best interests of the Company. Personal interests include significant ownership in another company by you, your spouse, children, parents, or in-laws. Anyone who believes they may have a potential conflict of interest must complete the Disclosure of Personal Conflict of Interest form found in our Personal Conflict of Interest policy. The Ethics Office or your manager can help you resolve any potential issues once you have disclosed the potential conflict of interest.
Although L-3 encourages employees to engage in outside activities that do not conflict with L-3’s business, you must always avoid even the appearance of a conflict of interest.
Examples of possible conflicts of interest include:

- Financial Interests. Financial interests can become conflicts of interest if you have a significant financial interest in a current or potential supplier, customer, or competitor.

- Personal Relationships. Personal relationships can create conflicts of interest if you have a close relationship with someone who works for a supplier, customer, or competitor. Personal relationships can also create conflicts when you manage, or are managed by, someone with whom you have a close relationship, including a romantic relationship. Even if you believe you are acting properly, your relationship may be perceived by others as improperly influencing your judgment. This can damage morale and disrupt workplace productivity.

- Corporate Opportunities. Taking personal advantage of business opportunities that you discover through the use of company property, information, or position are considered “corporate opportunities” and create conflicts of interest.

- Outside Employment with a Supplier or Customer. We may not be employed by or serve as a director of a supplier or customer, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.

- Outside Employment with Competition. We may not compete with the Company or consult with or be employed in any capacity by a competitor, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.’
A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score:

2

Comments:

Based on public information, there is evidence that the Code of Ethics and Business Conduct applies to all employees and members of the Board.

References:

Public:
Corporate Governance Guidelines (02.2012), p.6:
‘The Company has adopted a Code of Business Conduct and Ethics. Certain provisions of the Code are applicable to activities of directors, and directors are expected to be familiar with the Code’s provisions and should consult with the Company’s General Counsel in the event any issue arises.’

Company website: Code of Ethics
‘The Corporation has adopted a Code of Ethics and Business Conduct applicable to all of the Company directors, officers and employees. It may also apply to agents, consultants, contract labor and others who act on behalf of L-3.’

Code of Ethics and Business Conduct (01.2012), p.1:
‘This Code of Ethics and Business Conduct provides principles and guidelines that apply to everyone at L-3, regardless of position or level of responsibility, as well as those who act on our behalf.’

(p.5): ‘The Code applies to everyone who does business on behalf of L-3, including employees, officers and members of the Board of Directors. Our Company also expects that all third parties with whom we contract, including agents, suppliers, and contractors will act in accordance with the principles outlined in this Code when conducting business on L-3’s
behalf.’

2013 Annual Report on Form 10-K, p.18:
‘Our Code of Ethics and Business Conduct applies to all directors, officers and employees, including our chairman, president and chief executive officer, our senior vice president and chief financial officer, and our vice president, controller and principal accounting officer.’
A20:
Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:
2

Comments:
Based on public information, there is evidence that the company has a policy on potential conflicts of interest. The policy is clearly written, with a definition and examples provided. The Corporate Governance Guidelines state that directors must inform the chairperson of the Nominating/Corporate Governance Committee and the CEO, before commencing any business activities that may create a conflict of interest.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.16:
‘Conflicts Of Interest
Our shareholders trust that we will always act in the best interests of the Company. A “conflict of interest” can arise when a personal interest conflicts or appears to conflict with the best interests of the Company. Personal interests include significant ownership in another company by you, your spouse, children, parents, or in-laws. Anyone who believes they may have a potential conflict of interest must complete the Disclosure of Personal Conflict of Interest form found in our Personal Conflict of Interest policy. The Ethics Office or your manager can help you resolve any potential issues once you have disclosed the potential conflict of interest.
Although L-3 encourages employees to engage in outside activities that do not conflict with L-3’s business, you must always avoid even the appearance of a conflict of interest. Examples of possible conflicts of interest include:
- Financial Interests. Financial interests can become conflicts of interest if you have a significant financial interest in a current or potential supplier, customer, or competitor.
- Personal Relationships. Personal relationships can create conflicts of interest if you have a close relationship with someone who works for a supplier, customer, or competitor. Personal relationships can also create conflicts when you manage, or are managed by, someone with whom you have a close relationship, including a romantic relationship. Even if you believe you are acting properly, your relationship may be perceived by others as
improperly influencing your judgment. This can damage morale and disrupt workplace productivity.

- Corporate Opportunities. Taking personal advantage of business opportunities that you discover through the use of company property, information, or position are considered “corporate opportunities” and create conflicts of interest.

- Outside Employment with a Supplier or Customer. We may not be employed by or serve as a director of a supplier or customer, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.

- Outside Employment with Competition. We may not compete with the Company or consult with or be employed in any capacity by a competitor, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.’

Corporate Governance Guidelines (02.2012), p.6:
'“Loyalty and Ethics. In their roles as directors, all directors owe a duty of loyalty to the Company. This duty of loyalty mandates that the best interests of the Company take precedence over any interest possessed by a director.

The Company has adopted a Code of Business Conduct and Ethics. Certain provisions of the Code are applicable to activities of directors, and directors are expected to be familiar with the Code’s provisions and should consult with the Company’s General Counsel in the event any issue arises.’

‘Directors should advise the chairperson of the Nominating/Corporate Governance Committee and the CEO before accepting membership on other boards of directors or any audit committee or other significant committee assignment on any other board of directors, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments, a change in the director’s relationship to the Company or a conflict of interest.’
A21:
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?

Score:
2

Comments:
Based on public information, there is evidence that the company has a policy for the giving and receipt of gifts, to ensure that such transactions are bona fide and not a subterfuge for bribery. The company provides a clear upper limit for gifts.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.12:
‘Gifts and Entertainment
Our business transactions should always be free from even a perception that favorable treatment was sought, received, or offered through gifts, favors, hospitality, entertainment, or similar gratuities. Our definition of business courtesies, gifts and hospitality is broad and includes tickets, fees, or passes to sporting or cultural events, lodging, meals, door prizes, and other items of value. If you ever have any questions concerning gifts or entertainment, consult the Ethics Office.

Gifts and Entertainment with U.S. Government Representatives
The U.S. Government is our largest customer, and we must respect the special laws surrounding contracting with the U.S. Government. With few exceptions, U.S. Government agencies have strict prohibitions against their employees accepting any business courtesies. Therefore, except as otherwise permitted by law or regulation, we are prohibited from offering or providing any business courtesy, including meals, entertainment, travel, or lodging expenses for any U.S. Government employee or representative. Modest refreshments, such as soft drinks, tea, coffee, and fruit offered on an occasional basis, in conjunction with business activities, are acceptable. If you deal with representatives of a particular federal agency, you are responsible for complying with that agency’s standards of conduct. Where there is a question as to a particular agency’s standards of conduct, you must contact the Ethics Office in advance for guidance.

Similarly, those who deal with U.S. state or local government officials are responsible for knowing and adhering to the rules that may apply to such state or local government...
employees. Generally, such officials are often under prohibitions similar to those of U.S. Federal Government employees.’

‘Scenario
A U.S. Federal Contracting Officer and I will be traveling to the airport at the same time following a meeting. May I offer the Contracting Officer a ride and save her a taxi ride?

Guidance
No. Providing transportation to a U.S. Government executive branch employee is generally prohibited unless the individual pays the market value of the transportation.

Scenario
We are in the midst of a contract procurement. I know that the U.S. Government Contracting Officer is a wine connoisseur, and I would like to send her a small gift basket of fine wines. Is this proper?

Guidance
No. It would be a violation of L-3’s prohibitions on gratuities to government employees as well as a violation of government regulations for the Contracting Officer to accept the offer.’

(p.13):’Gift and Entertainment with Foreign Government Employees and Officials.
Employees of national and local governments are subject to a wide variety of different laws and regulations. Consult your location’s policies, as well as applicable laws and regulations, prior to offering anything of value to such employees. If you have questions, consult the Ethics Office or the Legal Department.

In instances where customs in certain countries require the exchange of gifts, the Company will, to the extent permitted, provide the gift. Any gifts, other than those of nominal value, received from representatives of these countries will become company property.

Whether you are an L-3 employee based in the United States or based abroad, you must understand and abide by the Foreign Corrupt Practices Act, which is described in this Code. Before offering or providing anything of value to foreign public officials, you must obtain advance approval from the Legal Department.

You must also be careful when considering retaining agents to represent our interests outside the United States. L-3 has strict approval requirements for such consultants.

Gifts and Entertainment with Non-Government Persons. We may provide meals, refreshments, or entertainment of reasonable value to non-government persons in support of business activities, provided:

- The business courtesy is not offered as a “quid pro quo,” (offered for something in return for the courtesy)
- The courtesy does not violate any law, regulation, or the standards of conduct of the recipient’s organization. It is our responsibility to inquire about any prohibitions or limitations applicable to the recipient’s organization before offering any business courtesy; and
- The courtesy is consistent with marketplace practices, infrequent in nature, and is not lavish or extravagant. It cannot cause embarrassment or reflect negatively on our reputation.’

L-3 COMMUNICATIONS 08/10/14
WWW.L-3COM.COM
Soliciting and Receiving Gifts and Entertainment. Our business transactions should always be free from even a perception that favorable treatment was sought, received or offered through gifts, favors, hospitality, entertainment, or similar gratuities. While there are certain circumstances under which it is permissible to accept such items, we are expected to follow a course of action that complies with the following guidelines:

- Soliciting Gratuities: We may not solicit, directly or indirectly, for our benefit or for the benefit of another person, any gift, favor, or other gratuity from a person or organization with which the company does business or that seeks to do business with L-3. Soliciting a gift, favor or other gratuity is strictly prohibited regardless of the nature or value of the item or service.

- Giving and Receiving Gratuities: We may not accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that could violate law, regulation or policies of L-3 or its customers or could cause embarrassment or reflect negatively on L-3’s reputation.

If you have any question about gifts and entertainment, consult with your manager or contact the Ethics Office.’

‘Scenario

I would like to offer a private customer a calendar embossed with our logo at year-end. Is this permissible?

Guidance

Assuming that there is no violation of the customer’s rules or standards of conduct, this would be acceptable.’

Company website, Anti-Corruption:

‘Corporate Policy 002

This policy requires that L-3 transactions are kept free from even the perception that favorable treatment was sought, received, or given in exchange for furnishing or receiving business courtesies. L-3 employees are prohibited from giving or receiving business courtesies that constitute, or could be reasonably perceived as constituting, unfair business or a violation of law. Employees must know and understand prohibitions and limitations of the recipient’s organization before offering a business courtesy. Business courtesies must be consistent with marketplace practices, be infrequent in nature, and may not be excessive or lavish. Gifts valued at more than $100 USD are prohibited.’

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?

Score:
1

Comments:
Based on public information, there is evidence that the company has a policy for the giving and receipt of hospitality, to ensure that such transactions are bona fide and not a subterfuge for bribery. The policy is unclear, as employees are instructed to only exchange hospitality that is consistent with marketplace practices, infrequent in nature, not lavish or extravagant, and that does not violate any laws. However, employees are prohibited from soliciting any hospitality and the company provides separate requirements for interactions with U.S. and foreign government officials. The company therefore scores 1. To score higher the company would need to provide evidence that it sets clear upper limits for hospitality exchange, or has the requirement for senior management authorization if a value threshold is exceeded.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.12:
‘Gifts and Entertainment
Our business transactions should always be free from even a perception that favorable treatment was sought, received, or offered through gifts, favors, hospitality, entertainment, or similar gratuities. Our definition of business courtesies, gifts and hospitality is broad and includes tickets, fees, or passes to sporting or cultural events, lodging, meals, door prizes, and other items of value. If you ever have any questions concerning gifts or entertainment, consult the Ethics Office.
Gifts and Entertainment with U.S. Government Representatives
The U.S. Government is our largest customer, and we must respect the special laws surrounding contracting with the U.S. Government. With few exceptions, U.S. Government agencies have strict prohibitions against their employees accepting any business courtesies. Therefore, except as otherwise permitted by law or regulation, we are prohibited from offering or providing any business courtesy, including meals, entertainment, travel, or
lodging expenses for any U.S. Government employee or representative. Modest refreshments, such as soft drinks, tea, coffee, and fruit offered on an occasional basis, in conjunction with business activities, are acceptable. If you deal with representatives of a particular federal agency, you are responsible for complying with that agency’s standards of conduct. Where there is a question as to a particular agency’s standards of conduct, you must contact the Ethics Office in advance for guidance.

Similarly, those who deal with U.S. state or local government officials are responsible for knowing and adhering to the rules that may apply to such state or local government employees. Generally, such officials are often under prohibitions similar to those of U.S. Federal Government employees.’

‘Scenario

A U.S. Federal Contracting Officer and I will be traveling to the airport at the same time following a meeting. May I offer the Contracting Officer a ride and save her a taxi ride?

Guidance

No. Providing transportation to a U.S. Government executive branch employee is generally prohibited unless the individual pays the market value of the transportation.

Scenario

We are in the midst of a contract procurement. I know that the U.S. Government Contracting Officer is a wine connoisseur, and I would like to send her a small gift basket of fine wines. Is this proper?

Guidance

No. It would be a violation of L-3’s prohibitions on gratuities to government employees as well as a violation of government regulations for the Contracting Officer to accept the offer.’

(p.13): ‘Gift and Entertainment with Foreign Government Employees and Officials.

Employees of national and local governments are subject to a wide variety of different laws and regulations. Consult your location’s policies, as well as applicable laws and regulations, prior to offering anything of value to such employees. If you have questions, consult the Ethics Office or the Legal Department.

In instances where customs in certain countries require the exchange of gifts, the Company will, to the extent permitted, provide the gift. Any gifts, other than those of nominal value, received from representatives of these countries will become company property.

Whether you are an L-3 employee based in the United States or based abroad, you must understand and abide by the Foreign Corrupt Practices Act, which is described in this Code. Before offering or providing anything of value to foreign public officials, you must obtain advance approval from the Legal Department.

You must also be careful when considering retaining agents to represent our interests outside the United States. L-3 has strict approval requirements for such consultants.

Gifts and Entertainment with Non-Government Persons. We may provide meals, refreshments, or entertainment of reasonable value to non-government persons in support of business activities, provided:

-The business courtesy is not offered as a “quid pro quo,” (offered for something in return
- The courtesy does not violate any law, regulation, or the standards of conduct of the recipient’s organization. It is our responsibility to inquire about any prohibitions or limitations applicable to the recipient’s organization before offering any business courtesy; and

- The courtesy is consistent with marketplace practices, infrequent in nature, and is not lavish or extravagant. It cannot cause embarrassment or reflect negatively on our reputation.

(p.14): Soliciting and Receiving Gifts and Entertainment. Our business transactions should always be free from even a perception that favorable treatment was sought, received or offered through gifts, favors, hospitality, entertainment, or similar gratuities. While there are certain circumstances under which it is permissible to accept such items, we are expected to follow a course of action that complies with the following guidelines:

- Soliciting Gratuities: We may not solicit, directly or indirectly, for our benefit or for the benefit of another person, any gift, favor, or other gratuity from a person or organization with which the company does business or that seeks to do business with L-3. Soliciting a gift, favor or other gratuity is strictly prohibited regardless of the nature or value of the item or service.

- Giving and Receiving Gratuities: We may not accept business courtesies that constitute, or could be reasonably perceived as constituting, unfair business inducements or that could violate law, regulation or policies of L-3 or its customers or could cause embarrassment or reflect negatively on L-3’s reputation.

If you have any question about gifts and entertainment, consult with your manager or contact the Ethics Office.’

‘Scenario

I would like to offer a private customer a calendar embossed with our logo at year-end. Is this permissible?

Guidance

Assuming that there is no violation of the customer’s rules or standards of conduct, this would be acceptable.’

Company website, Anti-Corruption:

‘Corporate Policy 002

This policy requires that L-3 transactions are kept free from even the perception that favorable treatment was sought, received, or given in exchange for furnishing or receiving business courtesies. L-3 employees are prohibited from giving or receiving business courtesies that constitute, or could be reasonably perceived as constituting, unfair business or a violation of law. Employees must know and understand prohibitions and limitations of the recipient’s organization before offering a business courtesy. Business courtesies must be consistent with marketplace practices, be infrequent in nature, and may not be excessive or lavish. Gifts valued at more than $100 USD are prohibited.’
A23:
Does the company have a policy that explicitly prohibits facilitation payments?

Score:
1

Comments:
Based on public information, there is evidence that the company has a policy that explicitly prohibits facilitation payments. However, there is no readily available evidence of guidance or supplementary information on how the policy is to be implemented in practice. The company therefore scores 1.

References:
Public:
Company website, Anti-Corruption:
‘Corporate Policy 709
This policy sets forth the ethical standards of conduct and practices that must be followed by L-3 in conducting international business. L-3 prohibits public and private sector bribery in accordance with the U.S. FCPA, the UK Bribery Act, and other laws enacted pursuant to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The policy’s related procedures outline the detailed steps and approvals required for training, hospitality, and appropriate record-keeping. L-3 policy prohibits facilitation payments.’

Code of Ethics and Business Conduct Addendum China (01.2010), p.3:
'In China, there are many occasions when “facilitating payments” may be requested by mid or low-level government officials to expedite or secure performance of a routine government action. If you feel you have exhausted every avenue to avoid making such payments, contact the General Counsel to discuss the situation further.'
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?

Score:

1

Comments:

Based on public information, it is unclear if the company prohibits or regulates political contributions; however, there is some evidence that such contributions are regulated. The Political Contributions Policy states that company funds may not be used to contribute to any political parties, political committees or political candidates. However, the Code of Ethics and Business Conduct details that it is prohibited for company funds to be used for political contributions anywhere in the world, unless approved in advance by the company's General Counsel. The company therefore scores 1. To score higher the company would have to provide evidence to clarify its policy on political contributions, and provide evidence that it publically discloses all political contributions that are made.

References:

Public:
Political Contributions Policy, p.1:
‘The company has a policy against making contributions to political parties, political committees or candidates using company resources (including monetary and in-kind services), even where permitted by law, such as at the state or local levels.
As an example, the company does not use company resources to make independent campaign expenditures, or to contribute to state or local ballot measures, non-candidate organizations, including political convention host committees or to organizations established under Section 527 of the US Internal Revenue Code.
Political Action Committee (PAC)
The company has created a Federal PAC which operates under the regulations of the Federal Election Commission (FEC). This PAC provides a means for L-3 employees to voluntarily participate in the federal political and electoral process by making political contributions to political parties, political committees and candidates. The PAC is funded by voluntary contributions made by eligible employees. Corporate funds and facilities, as permitted by law, are used to provide administrative support, including the solicitation of
funds from eligible employees and the distribution of contributions.’

(p.2): ‘Compliance and Oversight
The Senior Vice President for Washington Operations is responsible for oversight of the company’s political activities including compliance and is assisted by the Vice President of Government Relations and legal counsel, as required. The Board of Directors will also review and assess the adequacy of this policy from time to time and make any changes it deems necessary or appropriate.’

Code of Ethics and Business Conduct (01.2012), p.29:
‘Political Participation and Activities
L-3 supports personal participation in the political process and encourages all employees to support the political parties and candidates of their choice. We must understand, however, that our involvement and participation in the political process must be on an individual basis, on our own time, and at our own expense. Many countries prohibit corporations from donating corporate funds, goods, or services (including employees’ work time), directly or indirectly, to political candidates. Because the laws in this area are complex, contribution of L-3’s funds or the use of L-3’s assets or facilities for the benefit of political parties or candidates anywhere in the world is prohibited, unless approved in advance by L-3’s General Counsel.’
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?

Score:

1

Comments:
Based on public information, there is evidence that the company has a policy on engagement in lobbying activities. The Government Relations Office and the Legal Department coordinate all employees who contact government officials regarding public policy. The Senior Vice President for Washington operations is responsible for all of the company's political activities. The company therefore scores 1. To score higher the company would need to provide evidence that it publically discloses the issues on which it lobbies.

References:

Public:
Political Contributions Policy, p.2: ‘Compliance and Oversight
The Senior Vice President for Washington Operations is responsible for oversight of the company’s political activities including compliance and is assisted by the Vice President of Government Relations and legal counsel, as required. The Board of Directors will also review and assess the adequacy of this policy from time to time and make any changes it deems necessary or appropriate.’

Code of Ethics and Business Conduct (01.2012), p.30:
‘Lobbying
Lobbying activities are subject to specific rules that cover a wide range of activities. “Lobbying” involves communications with legislators, regulators, or their staff in an effort to influence legislative or certain other administrative actions. For this reason, it is important that all contacts with officials regarding public policy are coordinated through the Government Relations Office and the L-3 Legal Department, as all lobbying activities must be disclosed and carefully regulated.’
A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score: 0

Comments:
Based on public information, there is no readily available evidence that the company prohibits or regulates charitable contributions, in order to prevent undue influence or other corrupt intent.

References:
Public:
TI notes:
2013 L-3 Annual Report, p.11:
‘Locally, many L-3 businesses provide significant financial and in-kind support to first responders, while meeting other community needs by contributing to organizations such as the United Way, the Boys & Girls Clubs of America, the Special Olympics, and a myriad of food banks and shelters throughout the country. Wherever they are, L-3 employees are making a difference.’

Code of Ethics and Business Conduct (01.2012), p.29:
‘L-3 takes its commitment to good corporate citizenship extremely seriously. This is manifested by the Company’s positive and constructive involvement in charitable organizations and community activities. L-3 complies with all applicable laws and regulations, respects human rights, provides fair working conditions, and prohibits the use of any forced, compulsory, or child labor.’
A26:

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

Score:

2

Comments:

Based on public information, there is evidence that the company provides written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda. The Code of Conduct contains numerous scenarios to help explain different forms of corruption and related company policies.

References:

Public:
Code of Ethics and Business Conduct, (01.2012), p.4:
‘In this guide you will find a summary of some of our most important policies and procedures. More detailed guidance is found in our Corporate Policies, which are available on our intranet site or by contacting your manager.’

‘There are Addenda to this Code that provide information on the laws and regulations of the various countries where we operate. Understand that the Code and its Addenda do not address all of the laws and regulations that may be applicable in the countries where L-3 does business.’

(p.12): ‘Gifts and Entertainment
Our business transactions should always be free from even a perception that favorable treatment was sought, received, or offered through gifts, favors, hospitality, entertainment, or similar gratuities. Our definition of business courtesies, gifts and hospitality is broad and includes tickets, fees, or passes to sporting or cultural events, lodging, meals, door prizes, and other items of value. If you ever have any questions concerning gifts or entertainment, consult the Ethics Office.

Gifts and Entertainment with U.S. Government Representatives
The U.S. Government is our largest customer, and we must respect the special laws surrounding contracting with the U.S. Government. With few exceptions, U.S. Government
agencies have strict prohibitions against their employees accepting any business courtesies. Therefore, except as otherwise permitted by law or regulation, we are prohibited from offering or providing any business courtesy, including meals, entertainment, travel, or lodging expenses for any U.S. Government employee or representative. Modest refreshments, such as soft drinks, tea, coffee, and fruit offered on an occasional basis, in conjunction with business activities, are acceptable. If you deal with representatives of a particular federal agency, you are responsible for complying with that agency’s standards of conduct. Where there is a question as to a particular agency’s standards of conduct, you must contact the Ethics Office in advance for guidance.

Similarly, those who deal with U.S. state or local government officials are responsible for knowing and adhering to the rules that may apply to such state or local government employees. Generally, such officials are often under prohibitions similar to those of U.S. Federal Government employees.’

‘Scenario
A U.S. Federal Contracting Officer and I will be traveling to the airport at the same time following a meeting. May I offer the Contracting Officer a ride and save her a taxi ride?

Guidance
No. Providing transportation to a U.S. Government executive branch employee is generally prohibited unless the individual pays the market value of the transportation.

Scenario
We are in the midst of a contract procurement. I know that the U.S. Government Contracting Officer is a wine connoisseur, and I would like to send her a small gift basket of fine wines. Is this proper?

Guidance
No. It would be a violation of L-3’s prohibitions on gratuities to government employees as well as a violation of government regulations for the Contracting Officer to accept the offer.’

Company website: Code of Ethics and Business Conduct
Code of Ethics and Business Conduct Addendums for 15 countries are available.

Company website: Code of Ethics and Business Conduct - Translated
Code of Ethics and Business Conduct Addendums for numerous countries provided in their native language.
A27: Does the company have a training programme that explicitly covers anti-corruption?

Score: 1

Comments: Based on public information, there is evidence that the company has a training programme on its ethics and compliance systems, which includes an anti-corruption policy. The company therefore scores 1. To score higher the company would need to provide evidence that it has an explicit anti-corruption training module.

References:

Public:
Code of Ethics and Business Conduct (01.2012), p.6:
‘As an employee...
-Understand the standards that apply to your job and take responsibility jointly with your manager to identify training needs.’
‘As a manager...
-Play a proactive role in training employees on the Code and related topics, specifically by encouraging employee participation in training initiatives and identifying potential training opportunities.’
A28:
Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:
1

Comments:
Based on public information, there is some evidence that training on the Code of Ethics and Business Conduct is provided to employees. However, it is unclear if this training is available in all countries where the company operates. The company therefore scores 1.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.6:
‘As an employee...
-Understand the standards that apply to your job and take responsibility jointly with your manager to identify training needs.'
'As a manager...
-Play a proactive role in training employees on the Code and related topics, specifically by encouraging employee participation in training initiatives and identifying potential training opportunities.’

Overview of Company Policies
...Corporate Policy 709
This policy sets forth the ethical standards of conduct and practices that must be followed by L-3 in conducting international business. L-3 prohibits public and private sector bribery in accordance with the U.S. FCPA, the UK Bribery Act, and other laws enacted pursuant to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. The policy’s related procedures outline the detailed steps and approvals required for training, hospitality, and appropriate record-keeping. L-3 policy prohibits facilitation payments. Anyone that becomes aware of any suspected violation must report it promptly to corporate headquarters. A formal review process exists to ensure any identified control gap or weaknesses are addressed and controls are updated to strengthen the company framework for compliance. Furthermore, internal controls over processing of high
risk transactions have been built into the company’s SOX framework.’
A29: Does the company provide targeted anti-corruption training to members of the Board?

Score: 0

Comments: Based on public information, there is no readily available evidence that the company provides targeted anti-corruption training to Board members.

References:
Public:
Ti notes:
Corporate Governance Guidelines (02.2012), p.8:
‘Management, working with the Board, shall provide an orientation process for new directors, including background material on the Company and its business. Directors are expected to keep current on issues affecting the Company and its industry and on developments with respect to their general responsibilities as directors. As appropriate, management shall pay for or prepare additional educational sessions for directors on matters relevant to the Company and its business.’
A30:
Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score: 0

Comments:
Based on public information, there is no readily available evidence that the company provides tailored ethics and anti-corruption training for employees in sensitive positions.

References:
Public: NA
A31: Does the company have a clear and formal process by which employees declare conflicts of interest?

Score: 2

Comments: Based on public information, there is evidence that the company has a formal process by which employees declare conflicts of interest. Employees are instructed to complete a Disclosure of Personal Conflict of Interest form and a manager or ethics officer will then assist in resolving any issues.

References:
Public: Code of Ethics and Business Conduct (01.2012), p.16:
‘Conflicts Of Interest
Our shareholders trust that we will always act in the best interests of the Company. A “conflict of interest” can arise when a personal interest conflicts or appears to conflict with the best interests of the Company. Personal interests include significant ownership in another company by you, your spouse, children, parents, or in-laws. Anyone who believes they may have a potential conflict of interest must complete the Disclosure of Personal Conflict of Interest form found in our Personal Conflict of Interest policy. The Ethics Office or your manager can help you resolve any potential issues once you have disclosed the potential conflict of interest.
Although L-3 encourages employees to engage in outside activities that do not conflict with L-3’s business, you must always avoid even the appearance of a conflict of interest. Examples of possible conflicts of interest include:
- Financial Interests. Financial interests can become conflicts of interest if you have a significant financial interest in a current or potential supplier, customer, or competitor.
- Personal Relationships. Personal relationships can create conflicts of interest if you have a close relationship with someone who works for a supplier, customer, or competitor. Personal relationships can also create conflicts when you manage, or are managed by, someone with whom you have a close relationship, including a romantic relationship. Even if you believe you are acting properly, your relationship may be perceived by others as improperly influencing your judgment. This can damage morale and disrupt workplace
Corporate Opportunities. Taking personal advantage of business opportunities that you discover through the use of company property, information, or position are considered “corporate opportunities” and create conflicts of interest.

Outside Employment with a Supplier or Customer. We may not be employed by or serve as a director of a supplier or customer, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.

Outside Employment with Competition. We may not compete with the Company or consult with or be employed in any capacity by a competitor, unless otherwise consented to by the Corporate Ethics Officer in consultation with the General Counsel or, in the case of a director or executive officer, the Board of Directors.’
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?

Score:

2

Comments:
Based on public information, there is evidence that the company has an explicit commitment to apply disciplinary procedures, to individuals who have violated the Code of Ethics and Business Conduct.

References:
Public:
Company website: Code of Ethics
‘The Corporation has adopted a Code of Ethics and Business Conduct applicable to all of the Company directors, officers and employees. It may also apply to agents, consultants, contract labor and others who act on behalf of L-3.’

Code of Ethics and Business Conduct (01.2012), p.5:
‘Following the Code is mandatory, as it is essential to our Company’s success and reputation. Those individuals who fail to follow the Code will be subject to disciplinary action, up to and including, termination. Disciplinary action may be taken not only against those who authorized or participated directly in the violation, but also against anyone who deliberately failed to report a violation.’
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?

Score:

2

Comments:
Based on public information, there is evidence that the company has multiple, well-publicised, secure channels, for employees to report concerns or instances of suspected corrupt activity. Channels include a manager, the applicable subject matter expert such as HR, or the Corporate Ethics Officer. In particular, an independently managed Ethics Helpline provides an online reporting tool in 11 languages, which allows anonymous reporting.

References:
Public:
Company website: Code of ethics
‘Raising Concerns
To raise concerns relating to L-3 Communications Corporation, you may contact the company by mail, telephone, email or website.
Mail:
L-3 Communications Corporation
Corporate Ethics Officer
600 Third Avenue
New York, NY 10016
Phone: 1-877-L3CODE9 or (1-877-532-6339)
Email: ethics@L-3Com.com
Website: www.L3CODE.com’

Code of Ethics and Business Conduct (01.2012), p.5:
‘Helplines

L-3 COMMUNICATIONS 08/10/14
WWW.L-3COM.COM
• Calling from within the U.S.A: Dial: 1-877-L3-CODE-9
• Calling from outside the U.S.A: Obtain the respective AT&T country access code number at: http://www.usa.att.com/traveler/index.jsp and then dial: 1-877-L3-CODE-9.
• Website: www.L3code.com
• E-mail: Ethics@L-3com.com

(p.6): ‘Seek guidance from your Manager and any other Company reporting resource whenever you have questions about this Code, the Company’s policies or any of the laws and regulations which apply to your responsibilities.
-Discuss any concerns you might have about possible violations of the Code, the company’s policies or any other laws and regulations with your Manager or another Company reporting resource listed under “Raising Concerns.”’

(p.31): ‘Raising concerns
If you ever have questions about the Code or concerns of a possible violation, it is imperative that you raise them. You should never feel uncomfortable coming forward with business conduct concerns, and the sooner you raise your concerns, the sooner the Company can help you resolve them.

Mandatory Reporting Obligations
We are required by the Federal Acquisition Regulation (FAR) to disclose credible evidence of criminal law violations involving fraud, conflicts of interest, bribery, or gratuities, in addition to others when working on government contracts. To comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation of criminal or civil law, or a significant overpayment on a government contract or subcontract, to the Ethics Office. You may also report these matters through the various Ethics Helplines, if you prefer to remain anonymous. Reporting these issues is mandatory.

How to Raise Concerns
Depending on the nature of the concern, it might be appropriate to start by discussing the issue with the person involved. If that would not be productive, employees should always feel free to contact their manager or the applicable subject matter expert, such as Human Resources, Contracts, Legal, Finance, Audit, or Security. If you are not comfortable doing that, the Company has devoted significant resources to maintaining a best-in-class Ethics Organization that you may contact at any time.

Company Reporting Resources
Contacting the L-3 Helpline
-Calling from within the U.S.A: 1-877-L3-CODE-9 (1-877-532-6339)
-Calling from outside the U.S.A: obtain the respective AT&T country access code number at http://www.usa.att.com/traveler/index.jsp
-Website: L-3 maintains a website that is available to our employees in many different languages. You may access the website at www.L3code.com
-Email: Ethics@L-3com.com

You can also contact the Audit Committee of the Board of Directors, particularly regarding L-3 COMMUNICATIONS 08/10/14
WWW.L-3COM.COM
concerns about violations of our standards in the areas of accounting, internal controls, or auditing.

L-3 Corporate Headquarters
Attention: Audit Committee
600 Third Avenue
New York, NY 10016

After Raising a Concern
We take all reported concerns seriously. We will evaluate all matters brought to the Ethics Office. At your request, we will make every effort to keep your identity confidential while conducting a thorough and fair review. To assist in maintaining confidentiality, you should refrain from discussing the matter with co-workers or anyone else. If you have chosen to remain anonymous, you will be given an identification number that will allow you to follow-up at your discretion for a status update.

If you have raised a concern with your manager or another resource, you can expect that they will follow up with you within a reasonable time. While they may not be able to disclose specific details, they will likely be able to provide a high-level summary.’

EthicsPoint website: L-3 Ethics
‘This web page is hosted by EthicsPoint on secure servers, which are not part of the L-3 Communications web site or intranet.’

Reporting by website is available in 11 languages, including English
Ability to remain anonymous when placing a report

A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:

2

Comments:
Based on public information, there is evidence that across geographies, all employees have access to more than one reporting channel. Channels include the applicable subject expert, such as HR or Legal, the Corporate Ethics Officer or the independently run Ethics Helpline.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.31:
‘Raising concerns
If you ever have questions about the Code or concerns of a possible violation, it is imperative that you raise them. You should never feel uncomfortable coming forward with business conduct concerns, and the sooner you raise your concerns, the sooner the Company can help you resolve them.

Mandatory Reporting Obligations
We are required by the Federal Acquisition Regulation (FAR) to disclose credible evidence of criminal law violations involving fraud, conflicts of interest, bribery, or gratuities, in addition to others when working on government contracts. To comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation of criminal or civil law, or a significant overpayment on a government contract or subcontract, to the Ethics Office. You may also report these matters through the various Ethics Helplines, if you prefer to remain anonymous. Reporting these issues is mandatory.

How to Raise Concerns
Depending on the nature of the concern, it might be appropriate to start by discussing the issue with the person involved. If that would not be productive, employees should always feel free to contact their manager or the applicable subject matter expert, such as Human Resources, Contracts, Legal, Finance, Audit, or Security. If you are not comfortable doing that, the Company has devoted significant resources to maintaining a best-in-class Ethics Organization that you may contact at any time.
Company Reporting Resources

Contacting the L-3 Helpline
-Calling from within the U.S.A: 1-877-L3-CODE-9 (1-877-532-6339)
-Calling from outside the U.S.A: obtain the respective AT&T country access code number at http://www.usa.att.com/traveler/index.jsp
-Website: L-3 maintains a website that is available to our employees in many different languages. You may access the website at www.L3code.com
-Email: Ethics@L-3com.com

You can also contact the Audit Committee of the Board of Directors, particularly regarding concerns about violations of our standards in the areas of accounting, internal controls, or auditing.

L-3 Corporate Headquarters
Attention: Audit Committee
600 Third Avenue
New York, NY 10016
A33(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?

Score:

1

Comments:
Based on public information, there is limited evidence that the company has mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively. Specifically, the Audit Committee reviews the status of any ethics matters brought to the Corporate Ethics Officer and the Committee, and the resolution of such matters. The company therefore scores 1. To score higher the company would need to provide evidence of detailed analysis of whistleblowing data or independent employee surveys.

References:
Public:
Audit Committee Charter (12.2013), p.6:
‘24. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters, or violations of the Company’s Code of Ethics and Business Conduct, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting practices or auditing matters and alleged violations of the Company’s Code of Ethics and Business Conduct.
25. Review annually the status of the Company’s Ethics and Business Conduct Program, including its training program, and consider any changes to the Company’s Code of Ethics and Business Conduct. Report on any amendments that may be needed to that program or to the Codes.
26. Act as the steering committee for the Company’s Ethics and Business Conduct Program. Meet periodically with the Corporate Ethics Officer; review the status of any ethics matters brought to the attention of the Corporate Ethics Officer and/or to the attention of the Audit Committee and the resolution of such matters; periodically oversee the operation of the Corporate Compliance and Ethics Council.’
Code of Ethics and Business Conduct (01.2012), p.6:
‘as an employee...
-Seek guidance from your Manager and any other Company reporting resource whenever you have questions about this Code, the Company’s policies or any of the laws and regulations which apply to your responsibilities.
-Discuss any concerns you might have about possible violations of the Code, the company’s policies or any other laws and regulations with your Manager or another Company reporting resource listed under “Raising Concerns.”'

(p.31): ‘Raising concerns
If you ever have questions about the Code or concerns of a possible violation, it is imperative that you raise them. You should never feel uncomfortable coming forward with business conduct concerns, and the sooner you raise your concerns, the sooner the Company can help you resolve them.

Mandatory Reporting Obligations
We are required by the Federal Acquisition Regulation (FAR) to disclose credible evidence of criminal law violations involving fraud, conflicts of interest, bribery, or gratuities, in addition to others when working on government contracts. To comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation of criminal or civil law, or a significant overpayment on a government contract or subcontract, to the Ethics Office. You may also report these matters through the various Ethics Helplines, if you prefer to remain anonymous. Reporting these issues is mandatory.

How to Raise Concerns
Depending on the nature of the concern, it might be appropriate to start by discussing the issue with the person involved. If that would not be productive, employees should always feel free to contact their manager or the applicable subject matter expert, such as Human Resources, Contracts, Legal, Finance, Audit, or Security. If you are not comfortable doing that, the Company has devoted significant resources to maintaining a best-in-class Ethics Organization that you may contact at any time.

Company Reporting Resources
Contacting the L-3 Helpline
-Calling from within the U.S.A: 1-877-L3-CODE-9 (1-877-532-6339)
-Calling from outside the U.S.A: obtain the respective AT&T country access code number at http://www.usa.att.com/traveler/index.jsp
-Website: L-3 maintains a website that is available to our employees in many different languages. You may access the website at www.L3code.com
-Email: Ethics@L-3com.com

You can also contact the Audit Committee of the Board of Directors, particularly regarding concerns about violations of our standards in the areas of accounting, internal controls, or auditing.

L-3 Corporate Headquarters
Attention: Audit Committee
Everyone at L-3 who comes forward with concerns plays an important role in maintaining a healthy, respectful, and productive workplace and protects our customers, shareholders, colleagues, suppliers, and the community at large. Raising concerns helps us address problems early—before potentially more serious consequences develop. Retaliation in any form against an individual who in good faith reports a violation of the Code or of the law, even if the report is mistaken, or assists in the investigation of a reported violation, is a serious violation of this Code and of law. Every L-3 employee has an obligation to create an environment free of retaliation. It is, therefore, L-3’s policy to strictly prohibit any form of retaliation against anyone who raises a concern.”
A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:
2

Comments:
Based on public information, there is evidence that the company has well-publicised resources available to all employees, where help and advice can be sought on corruption-related issues. Resources include a manager or any other company reporting resources. This suggests that employees can seek advice from company departments such as HR and Legal, the Corporate Ethics Officer and the Ethics Helpline.

References:
Public:
Code of Ethics and Business Conduct (01.2012), p.6:
‘as an employee…

-Seek guidance from your Manager and any other Company reporting resource whenever you have questions about this Code, the Company’s policies or any of the laws and regulations which apply to your responsibilities.

-Discuss any concerns you might have about possible violations of the Code, the company’s policies or any other laws and regulations with your Manager or another Company reporting resource listed under “Raising Concerns.”

(p.31): ‘Raising concerns
If you ever have questions about the Code or concerns of a possible violation, it is imperative that you raise them. You should never feel uncomfortable coming forward with business conduct concerns, and the sooner you raise your concerns, the sooner the Company can help you resolve them.

Mandatory Reporting Obligations
We are required by the Federal Acquisition Regulation (FAR) to disclose credible evidence of criminal law violations involving fraud, conflicts of interest, bribery, or gratuities, in addition to others when working on government contracts. To comply with these obligations, all L-3 employees must immediately report any issues that could potentially constitute a violation
of criminal or civil law, or a significant overpayment on a government contract or subcontract, to the Ethics Office. You may also report these matters through the various Ethics Helplines, if you prefer to remain anonymous. Reporting these issues is mandatory.

How to Raise Concerns

Depending on the nature of the concern, it might be appropriate to start by discussing the issue with the person involved. If that would not be productive, employees should always feel free to contact their manager or the applicable subject matter expert, such as Human Resources, Contracts, Legal, Finance, Audit, or Security. If you are not comfortable doing that, the Company has devoted significant resources to maintaining a best-in-class Ethics Organization that you may contact at any time.

Company Reporting Resources

Contacting the L-3 Helpline
-Calling from within the U.S.A: 1-877-L3-CODE-9 (1-877-532-6339)
-Calling from outside the U.S.A: obtain the respective AT&T country access code number at http://www.usa.att.com/traveler/index.jsp

-Website: L-3 maintains a website that is available to our employees in many different languages. You may access the website at www.L3code.com
-Email: Ethics@L-3com.com

You can also contact the Audit Committee of the Board of Directors, particularly regarding concerns about violations of our standards in the areas of accounting, internal controls, or auditing.

L-3 Corporate Headquarters
Attention: Audit Committee
600 Third Avenue
New York, NY 10016

Company website: Code of ethics

‘Raising Concerns

To raise concerns relating to L-3 Communications Corporation, you may contact the company by mail, telephone, email or website.

Mail:
L-3 Communications Corporation
Corporate Ethics Officer
600 Third Avenue
New York, NY 10016
Phone: 1-877-L3CODE9 or (1-877-532-6339)
Email: ethics@L-3Com.com
Website: www.L3CODE.com’
A35: Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:

1

Comments:

Based on public information, there is evidence that the company has a commitment to non-retaliation for bona fide reporting of corruption. The company therefore scores 1. To score higher the company would need to make a specific statement that disciplinary measures are applied to those breaching the non-retaliation policy.

References:

Public:
Code of Ethics and Business Conduct (01.2012), p.31:
‘Our Non-Retaliatory Culture
Everyone at L-3 who comes forward with concerns plays an important role in maintaining a healthy, respectful, and productive workplace and protects our customers, shareholders, colleagues, suppliers, and the community at large. Raising concerns helps us address problems early—before potentially more serious consequences develop. Retaliation in any form against an individual who in good faith reports a violation of the Code or of the law, even if the report is mistaken, or assists in the investigation of a reported violation, is a serious violation of this Code and of law. Every L-3 employee has an obligation to create an environment free of retaliation. It is, therefore, L-3’s policy to strictly prohibit any form of retaliation against anyone who raises a concern.’
Information Sources:

Company website:
www.l-3com.com

Code of Ethics and Business Conduct (January 2012):


L-3 2012 Annual Report (2013),

Audit Committee Charter (December 2013):

2013 Annual Report on Form 10-K: