Dear Mr. Pyman,

Polski Holding Obronny sp. z o.o. (PHO) requested Transparency International UK President not to include our Company in this year’s Defence Companies Anti-Corruption Index 2015 survey due to a complex process of joining Polska Grupa Zbrojeniowa SA (PGZ) by the former PHO companies initiated in 2013.

As a result of the changes in the holding's structure, in October 2014 PHO had ceased to be the official owner of 18 state defence companies. PGZ became a consolidator of all the companies of PHO (formerly Bumar) and was vested with the responsibility to ensure the best ethical and anti-corruption standards.

We contacted the Programme Director of IDSP TI UK on this matter to inform him of our inability to undertake the audit. Auditing a company which has been going through the restructuring process was not the best practice on the part of Transparency International UK. PHO was audited by TI UK on the basis of the press and Internet reports as well as of the statements of people who were not the Company's employees. As a result, PHO is negatively rated in the DCAC Index 2015. The opinion given by TI on our Company will be unjustified, because it will classify the Company into the group of entities with a high corruption risk, which does not reflect the real state of affairs within our Company.

We are willing to undertake the audit after finishing the restructuring process in our Company, which presently, not being the group holder, focuses on its own activity.
Therefore, in the current situation I would like to ask you to include our commentary on the matter on the TI website and other websites where you plan to publish or cite the results of the Defence Companies Anti-Corruption Index 2015.

PHO employs regulations which allow to monitor the employees and business transactions. The said regulations constitute the system for preventing behaviours of corruption or fraud type.

The existing regulations include i.a. the procedures implemented as part of the Quality Management System according to PN-EN ISO 9001:2009 and AQAP – 2120, namely the Procedures for Internal Audit, Prevention Activities, Purchase Planning and Implementation, Sales Planning and Implementation, as well as Risk Management.

Among the applicable PHO internal regulations there are specific instructions which guarantee the proper implementation of financial processes. The Company has internal laws developed on the basis of the specific needs and requirements of external and internal stakeholders which, for instance, define the rules for: providing information about suspected crimes; making contact between the employees and the representatives of foreign and domestic companies which conduct competitive activities; starting, implementing, and documenting by the employees the agency collaboration; purchasing goods and ordering services; conducting the audit and internal control. The Company conducts audit activities of an ad hoc nature which investigate the reasons for irregularities and enable quick response of the Board (CEO) to the control results.

PHO is subject to periodical inspections and audits carried out by external institutions: the Supreme Audit Office, the fiscal control authorities (UKS), the Military Counterintelligence Service (SKW), and the Ministry of the Interior, all of them carry out independent audits of commercial activity and assess the existing processes. The special trade is subject to inspections carried out by the Ministry of the Interior, the confidential information protection area is governed and inspected by SKW, the quality management area is subject to certification and annual review carried out by a certifying entity.

PHO has been granted certificates that guarantee flawless processes, including:

- Special Trade Concession No. B-123/2003, granted by the Ministry of the Interior and Administration
- AQAP Certificate 2120:2009
- Foreign Special Trade Management System Certificate W-32/7/2011
• First degree Facility Security Clearance at the “CLASSIFIED” level No. 5/I-38/T/WIII/2009, issued by SKW
• First degree Facility Security Clearance at the “NATO SECRET” level No. 2/I-4/NS/WIII/2009, issued by SKW

The company has developed the Policy and Procedures of Corporate Risk Management based on ISO 31000:2009 and on FERMA. The company employs the best practices and models suggested by such institutions as: the Polish Chapter of The Institute of Internal Auditors, the Polish Chapter of The Institute for Internal Controls, ACFE Polska (Branch No. 114 of the Association of Certified Fraud Examiners), and the Polish Institute for Internal Controls (PIKW).

Having regard to the foregoing, it is highly unfair and harmful to include Polski Holding Obrony in the same list of companies that do not employ anti-corruption and anti-fraud procedures because it is not true.

PHO desires to support TI in rising standards across the defence industry worldwide.

Yours sincerely,

Prezes Zarządu
Marcin Idzik