

COUNCIL ON ETHICS
THE GOVERNMENT PENSION FUND GLOBAL

Unofficial English Translation

To Norges Bank

13.03.2024

**Recommendation to extend the
observation of Bombardier Inc**

Summary

In March 2022, Norges Bank decided to place Bombardier Inc (Bombardier) under observation for a period of two years due to an unacceptable risk that the company is contributing to or is itself responsible for gross corruption. The Council's recommendation from October 2021 was based on the fact that Bombardier or its subsidiaries could be linked to allegations or suspicions of corruption in six countries over a period of more than ten years. In its assessment of future risk, the Council attached importance to multiple deficiencies in the company's follow-up of corruption risk. This included top management's lack of communication of zero tolerance for corruption, as well as inadequate third-party assessments and follow-up of when corruption was reported.

Bombardier has provided the Council with limited documentation during the observation period to show how the company's anti-corruption and anti-money laundering systems work in practice. This applies, for example, to due diligence assessments and the follow up of whistleblower reports, which were highlighted in the Council's original recommendation as major failings. All in all, therefore, the Council considers that the risk attaching to Bombardier's efforts to prevent, detect and deal with corruption still is not acceptable.

The Council therefore recommends that observation of the company be extended.

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1 Introduction

In October 2021, the Council on Ethics recommended that the Canadian company Bombardier Inc (Bombardier)¹ be placed under observation due to an unacceptable risk that the company is contributing to or is itself responsible for gross corruption.

The Council's investigations showed that Bombardier or its subsidiaries could be linked to allegations or suspicions of corruption in six countries over a period of more than ten years. The cases related to bribery or suspicious transactions worth more than USD 100 million, undertaken via agents, intermediaries or business partners, for the purpose of winning contracts for Bombardier's subsidiaries.

In its assessment of future risk, the Council attached importance to multiple deficiencies in the company's follow-up of corruption risk. This included top management's lack of communication of zero tolerance for corruption, as well as inadequate third-party assessments and follow-up of when corruption was reported. The Council also noted that there was a discrepancy between what the company disclosed and what emerged from other sources with respect to due diligence assessments and the processing of whistleblowing reports. Since the company divested its transportation division, to which the majority of allegations and suspicions related, in 2021, the Council recommended that Bombardier be placed under observation rather than be excluded from investment by the Government Pension Fund Global (GPFGB).

In March 2022, Norges Bank decided to place Bombardier under observation for a period of two years. In the autumn of 2021, the ethical guidelines' corruption criterion was expanded to also include other serious financial crime, including money laundering. The observation of Bombardier therefore commenced with the collection of information on what the company is doing to prevent, detect and deal with money laundering in its operations.

2 The Council's activities during the observation period

Since the decision to place the company under observation was announced in March 2022, the Council has contacted Bombardier repeatedly with a view to obtaining further information about what the company is doing to prevent, detect and deal with corruption and other financial crime in its operations. For example, the Council asked for a meeting with the company, but this request was

¹ Issuer ID 108515

ignored. The company's response to the Council's queries came in November 2023, after the Council had sent Bombardier a draft recommendation to exclude it on the grounds of its unwillingness to share information. Bombardier has also been presented a draft recommendation that observation of the company be extended.

The Council has assessed Bombardier's response in light of both the overall risk picture and the various findings to emerge from its first examination of the company's anti-corruption systems.

2.1 Anti-corruption enforcement in the company's homeland and corruption risk in countries and sectors in which it operates

Anti-corruption enforcement in the company's homeland

Both the OECD and Transparency International (TI) have pointed out Canada's limited enforcement of corrupt practices that take place abroad. In 2020, TI ranked Canada in the next lowest category (of four) due to its weak enforcement of the OECD's Anti-Bribery Convention.² TI gave Canada the same ranking in 2022.³

In March 2019, the OECD expressed concern over interference and political pressure being exerted in relation to the prosecution of another major Canadian company on charges of bribery abroad.⁴ The political interference was subsequently confirmed in the report following an inquiry by Canada's Conflict of Interest and Ethics Commissioner.⁵ In October 2023, the OECD published its Phase 4 evaluation report on Canada's compliance with the OECD Anti-Bribery Convention. The report finds that Canada's enforcement of the legislation

² Transparency International. 2020. *Exporting Corruption. Progress report 2020: Assessing enforcement of the OECD Anti-Bribery Convention*, pp. 45–48, https://images.transparencycdn.org/images/2020_Report-Full_Exporting-Corruption_EN.pdf.

³ Transparency International. 2022. *Exporting Corruption 2022: Assessing Enforcement of the OECD Anti-Bribery Convention*, pp. 36–38, https://images.transparencycdn.org/images/2022_Report-Full_Exporting-Corruption_English.pdf.

⁴ OECD, 11 March 2019: *OECD will follow Canadian proceedings addressing allegations of political interference in foreign bribery prosecution*, <https://web.archive.org/2019-03-11/510486-oecd-will-follow-canadian-proceedings-addressing-allegations-of-political-interference-in-foreign-bribery-prosecution.htm>.

⁵ CBC, 14 August 2019: *'I take responsibility,' Trudeau says in wake of damning report on SNC-Lavalin ethics violation*, <https://www.cbc.ca/news/politics/trudeau-snc-ethics-commissioner-violated-code-1.5246551>; Office of the Conflict of Interest and Ethics Commissioner. 2019. *Trudeau II Report*, <https://ciec-ciee.parl.gc.ca/en/publications/Documents/InvestigationReports/Trudeau%20II%20Report.pdf#search=trudeau%20report%20II>.

relating to the bribery of public officials abroad must still be deemed very weak 25 years after it passed its own Corruption of Foreign Public Officials Act (CFPOA), given the size of its economy and the sectors in which Canadian companies operate. In this connection, the OECD points out that only two individuals have been convicted and four companies sanctioned under the CFPOA in all these 25 years.⁶

Corruption risk in countries and sectors in which the company operates

After having divested its rolling stock and rail transport division and its commercial aviation division, Bombardier now only produces private aircraft and specialist aircraft for the defence sector. The defence-related business was launched in 2022. This sector is considered to be particularly vulnerable to corruption in part because many details surrounding tender processes and contracts are shielded from public scrutiny on the grounds of national security, and because the contracts themselves are often huge. Furthermore, high-ranking public officials are often involved in the conclusion of such contracts, with agents often being used as intermediaries. As a result of the compensation systems applied, some agents may be paid enormous fees, which results in a high risk of corruption.⁷

According to Bombardier's 2023 annual report, the company now has approx. 18,000 employees, with the bulk of its operations in Canada and the USA. In the same annual report, Bombardier discloses the revenues deriving from the 14 most important individual markets and regional markets for its remaining operations. The US is the largest and most important market overall, followed by Switzerland. The majority of the markets specified are ranked at the upper part of international corruption-risk indexes, though not all. The Middle East, Central America and Africa account for around 5 per cent of the total, while other, unspecified markets – categorised as "Other" – account for a further 8 per cent.⁸

2.2 Bombardier's systems for dealing with corruption, money laundering and other financial crimes

In connection with the Council's assessment in 2021, Bombardier disclosed that the type of commercial activities, products and services that the remaining aviation business is responsible for require slightly different tools and processes to those hitherto applied in the transportation business. Among other things,

⁶ OECD. 2023. *Implementing the OECD Anti-Bribery Convention in Canada. Phase 4 report*, <https://www.oecd.org/daf/anti-bribery/canada-phase-4-report.pdf>.

⁷ Transparency International, 18 September 2018: *Out of the Shadows: Promoting Openness and Accountability in the Global Defence Industry*, pp. 4, 15, https://ti-defence.org/wp-content/uploads/2018/09/Out_of_the_Shadows_WEB3.pdf

⁸ Bombardier, 8 February 2024: Financial Report, year ended December 31, 2023.

there is a stronger emphasis on “know-your-client” or KYC procedures. The follow-up questions sent to Bombardier in connection with the observation have therefore also taken this into account.

Tone from the top:

In its original recommendation, the Council pointed out that, among the mass of material received from Bombardier, it had found only one statement from the company’s top management (from 2014) that clearly communicated a zero tolerance for corruption. Since the tone from the top is very important for the development of a company’s corporate culture, the Council considered that the lack of clear statements from top management indicated that the company was taking a too passive approach to corruption risk.

In connection with the observation, therefore, the Council has followed up with questions about what the CEO, Board Chair and other members of top management have done since the recommendation was issued in October 2021 to communicate – in writing or in other ways – a zero tolerance for corruption, money laundering and other forms of financial crime to the company’s employees, business partners and representatives. In its reply, Bombardier stated that, every quarter, the CEO has ethics and compliance as a separate agenda item at meetings with managers across the organisation, in which he underlines the importance of ethical leadership and decisions. Where appropriate, the company also starts ethics and compliance training modules with a message from the CEO, reinforcing the message in the module concerned. In this connection, Bombardier has given the Council access to some examples of such communications purported to be from the company’s CEO. However, the documents concerned are generic PowerPoint slides relating to the development of a good working environment, the establishment of a culture in which wrongdoing is reported, the management of such reports and the prevention of excessive strain on employees.⁹

As far as the Council can see, none of these slides contain anything to link them directly to the CEO, Board Chair or anyone else in the company’s top management. Furthermore, none of them make specific reference to corruption, money laundering or other forms of financial crime.

Risk assessments:

In its original assessment, the Council considered that the company’s reaction to the various corruption allegations lacked an acknowledgement of the hazard that agents and business partners represent in high-risk countries. The Council noted

⁹ Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

that the company had been unable to present an overall assessment of its corruption risk.

In connection with its observation, the Council has therefore requested a summary of the most important findings from Bombardier's latest assessments of corruption and money-laundering risk, how these risks have been prioritised, and which initiatives it has been decided to implement on the basis of these assessments. In reply, Bombardier has disclosed that it both monitors compliance risk on a continuous basis and performs regular reviews to identify and assess potential new compliance risks, including the risk of corruption and bribery. According to Bombardier, there were no material findings in its most recent assessments of corruption and money-laundering risk. The company further disclosed that it has robust processes for background checks on each customer before the sales process gets underway.¹⁰

Guidelines and plans:

When Bombardier was assessed in connection with the original recommendation, the Council was given access to the revised third edition of the company's anti-corruption rules from July 2019. In the Council's view, the guidelines were at that time in accordance with the requirements set out in relevant international guidelines. Bombardier has now also given the Council access to the revised fourth edition of the rules, from June 2021. No material changes have been made in the prevailing version compared with the previous version. With respect to KYC and anti-money laundering (AML), Bombardier also states that this is included in the company's guidelines for the performance of due diligence assessments on third parties. In this connection, the Council has been given access to both the most recent edition of the overarching guidelines for this area, from June 2021, and the more specific guidelines that this document refers to. That is, specific guidelines relating respectively to the sale of new and used aircraft, service and support services, and Bombardier's own procurements.

In its original recommendation, the Council noted that Bombardier was unable to produce a dedicated plan for its anti-bribery and corruption (ABC) efforts in the remaining aviation business. In connection with its observation, the Council has reiterated this request – this time also with respect to the company's KYC/AML activities. Bombardier replied that it still does not have an overarching plan for its efforts in these areas, but stated that it has a number of directives, procedures and guidelines. With respect to plans for its *annual* endeavours, Bombardier stated firstly that ABC activities constitute a core element in the company's compliance programme and efforts, and that these are based on a

¹⁰ Letter from the Council on Ethics dated 6 July 2023, and Bombardier's reply of 10 November 2023.

risk-based approach. Furthermore, the company stated that risk-based KYC inquiries, including those relating to money-laundering risk, are an important part of the process when engaging third parties. Bombardier also disclosed that, as part of its KYC activities, it regularly assesses whether the questionnaires used for due diligence assessments and other approval processes still cover the most important risks.¹¹

Training:

The Council asked Bombardier if it has a specific programme or plan for its ABC and KYC/AML training. In response, the company disclosed that all new employees must undergo a compulsory training programme which includes whistleblowing procedures, ethical guidelines, gifts and entertainment. The company also pointed out that it has introduced annual certification of its ethical guidelines, requiring all employees to affirm that they have read and understood the guidelines and that they have not breached them in the preceding year. They must also sign a self-assessment relating to potential conflicts of interest. Certification was introduced in 2021, while the self-assessment was introduced in 2023.¹²

The Council has also asked for examples of more specific and “customised” training materials for classroom tuition in the field of ABC and KYC/AML, and has been given access to two presentations. The first, from 2020, relates to anti-corruption, while the second, from 2021, relates to the use of an external database to check whether individuals or companies figure on sanctions lists. Apart from a general introduction to what corruption is and to relevant anti-corruption legislation, the ABC material relates primarily to Bombardier’s directive on gifting, hospitality and entertainment. The two cases presented in the end also relate to this directive. The second presentation, which provides training in the use of an external sanctions database, does not provide an introduction to AML.

Organisation:

The Council has asked for an updated overview of Bombardier’s current compliance organisation, primarily its Ethics and Compliance Office (ECO), the number of people employed in this department and their roles and responsibilities. Bombardier has disclosed that the ECO is still led by the Chief Ethics and Compliance Officer (CECO), who is now a member of the company’s senior management team. According to Bombardier, the CECO reports directly to the CEO and the board’s Audit Committee on a quarterly basis. In addition to the

¹¹ Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

¹² Bombardier Inc. 2021 Environmental, social and governance report, p. 49; Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

CECO, the ECO now numbers 25 employees working within the following four main areas:

1. Programmes and oversight
2. Training and communication
3. Customer/supplier compliance
4. Investigations and due diligence assessments

Furthermore, Bombardier has stated that the ECO is also supported by a network of 20 ethics and compliance “ambassadors”, who represent the compliance organisation at the company’s various offices around the world.¹³

Bombardier has also given the Council access to an updated organisation chart for the ECO. The chart is anonymised and 22 of the positions are not specified beyond “ethics and compliance”. According to the company, however, 15 of the ECO’s employees work with matters relating to ABC and KYC/AML.¹⁴

Use of third parties and due diligence thereon:

As mentioned above, Bombardier has given the Council access to both the latest edition, from June 2021, of its overarching guidelines for due diligence assessments on third parties, as well as the more specific guidelines referred to in this document, i.e. guidelines for the sale of new and used aircraft, service and support services, and Bombardier’s own procurements. The Council has evaluated the due diligence guidelines relating to aircraft sales in particular. As far as the Council can see, the checkpoints, tools and processes described in this document and associated appendices, largely comply with the requirements set out in the prevailing international guidelines in this area.

The Council has further asked how many third parties, including sales agents, Bombardier has signed contracts with since October 2021. Bombardier has disclosed the number of contracts based on commission that it has entered into during this period. Since Bombardier has asserted that it decided in 2018 to phase out the majority of the agreements it had with so-called “preferred” sales representatives, the Council has also asked how the company is compensating for the loss of the services that agents/intermediaries previously provided. Bombardier replied that it has employed additional internal sales representatives, in addition to engaging agents on an ad hoc basis for commission-based sales in connection with specific transactions.¹⁵

¹³ Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

¹⁴ Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

¹⁵ Letter from the Council on Ethics dated 6 July 2023, and Bombardier’s reply of 10 November 2023.

The Council has also asked how many due diligence assessments relating to corruption and money-laundering risk Bombardier has performed each year for the past five years, as well as the number of third parties/customers who had been rejected because the risk was considered to be too high. Bombardier has shared the relevant figures for the total number of due diligence assessments, but these do not show how many relate to corruption/money-laundering risk. The company considers that the number of enterprises rejected on the grounds of such risk is confidential information. The Council has also asked whether it is possible to see an example of a report from a due diligence assessment relating to corruption and/or money-laundering risk, but the company has instead referred to the various guidelines for the performance of such assessments.¹⁶

Whistleblowing, inquiries and reactions:

In its original recommendation, the Council questioned Bombardier's ability to react appropriately to whistleblowing reports. This included the undertaking of investigations as well as the implementation of corrective measures. The Council has therefore requested further details about the company's procedures relating to the receipt, investigation and reporting of allegations about potential irregularities. In response, Bombardier has disclosed the following:

All reports of wrongdoing received are automatically forwarded to the VP responsible for investigations and due diligence assessments for an initial assessment before being passed on. The case is then allocated to one of the company's investigators for further assessment. The investigator will be given full access to all relevant documents and electronic data relating to the case. According to the company's ethical guidelines, all Bombardier employees have a duty to cooperate with any internal investigation when asked to do so. When an investigation is finished, a report is written stating the investigator's conclusions. Where necessary, the report will also contain a recommended follow-up plan. According to Bombardier, all their investigations into reported wrongdoing are carried out using lawful methods. This includes, for example, reviews of financial accounts, voluntary interviews with relevant individuals and other evidence-gathering steps that are deemed necessary in the case concerned. It may also include various digital investigative methods equivalent to those used in criminal investigations. In connection with the quarterly report given to the board's Audit Committee, the CECO also reports on ongoing investigations being conducted by the company.¹⁷

¹⁶ Letter from the Council on Ethics dated 6 July 2023, and Bombardier's reply of 10 November 2023.

¹⁷ Letter from the Council on Ethics dated 6 July 2023, and Bombardier's reply of 10 November 2023; Bombardier Code of Ethics, p. 13, <https://bombardier.com/en/who-we-are/our-code-ethics>.

The Council has also asked how many whistleblower reports concerning a) offers/solicitation of bribes, and b) suspicious transactions/customers Bombardier has received in the past five years, and how many of these reports have been confirmed. Furthermore, the Council has asked what steps the company has taken against employees in those cases where the whistleblower reports have been confirmed, and whether any of the cases have also been reported to the police/prosecuting authority. The Council has also asked whether it is possible to see an example of a report from one of the company's investigations into allegations of corruption/bribery or money laundering. However, all these requests have been rejected by the company on the grounds that this is confidential information and that it may also be protected by attorney/client privilege and securities laws.¹⁸

Monitoring and improvement:

In response to the Council's questions, Bombardier has disclosed that it performed two reviews of the company's processes relating to ABC and AML in 2022, which did not turn up any material findings. The Council has also asked for copies of the reports from these audits. However, this was rejected by the company on the grounds that this information is confidential.

2.3 Developments in ongoing cases and any new allegations since the recommendation was issued in October 2021

One of the issues underpinning the original recommendation was the suspicion of bribery relating to the contracts which the South African national transport company Transnet signed with Bombardier, among others, in March 2014. A key aspect of this case was that a family with close ties to the then President of South Africa and the then CEO of Transnet had purchased a Global 6000 jet aircraft from Bombardier at a considerable discount in relation to the list price. In addition, the family was also accused of having received other benefits in connection with the purchase. In its recommendation, the Council pointed to the major discrepancy between what the company had disclosed about its due diligence assessments relating to this sale and the information the Council had obtained from other sources. In August 2021, Bombardier reported that the US Department of Justice (DoJ) had requested information and documentation relating to the contract with Transnet and the sale of the Global 6000 jet. In

¹⁸ Letter from the Council on Ethics dated 6 July 2023, and Bombardier's reply of 10 November 2023.

November 2023, Bombardier reported that the DoJ's investigation remained ongoing.¹⁹

In addition to the above, investigations and/or legal proceedings relating to Bombardier's former operations in Azerbaijan, Indonesia and South Africa remain underway in the USA, UK, Canada, Sweden and South Africa. The alleged offences in Azerbaijan are also still under investigation by the World Bank.²⁰

During the observation period, the Council has not uncovered any new allegations of corruption or other financial crimes relating to Bombardier's operations.

3 The Council's assessment

When the Council recommends placing a company under observation due to an unacceptable risk that the company concerned is contributing to gross corruption and/or other forms of financial crime, it is an indication that the Council is unsure of whether the company is doing enough to prevent, detect and deal with this type of criminal activity. During the observation period, the Council's position remains the same as it was during its initial assessment. The company must substantiate that it is working effectively to prevent corruption and other financial crimes. Only on the basis of observable evidence will the Council be able to conclude that the risk to the GPFG is acceptable.

The Council would like to remark that obtaining information from Bombardier has proved challenging. The company has declined to meet the Council and the response it has provided did not come until November 2023, after it had received a draft recommendation to exclude it from investment by the GPFG. Thus, the Council's impression is that Bombardier to only a limited degree shares information about its efforts to avoid becoming involved in gross corruption or other serious financial crime.

The Council has considered Bombardier's response in light of the overall risk picture and the various findings to emerge from its first examination of the company's anti-corruption systems. In its original recommendation, the Council pointed to the concerns that the OECD and Transparency International had expressed with regard to Canada's limited enforcement of corruption abroad. The Council notes that these concerns remain unchanged. At the same time, the Council notes that Bombardier is still operating in countries and regions where the risk of corruption is high, and that the company is now doing business within

¹⁹ Bombardier Second Quarterly Report, 5 August 2021, pp. 58-59; Bombardier Third Quarterly Report, 2 November 2023, pp. 53-55.

²⁰ Bombardier Third Quarterly Report, 2 November 2023, pp. 53-55.

the defence sector, which is considered highly vulnerable to corruption, in part because of the amount of secrecy involved and extensive contacts with high-ranking public officials.

In its original recommendation, the Council sought clearer signals from the company's top management with respect to a zero tolerance for corruption, and concluded that the lack thereof signified that the company's approach to the risk of corruption was too passive. As far as the Council can see, nothing in the material that Bombardier has referred to relates specifically to corruption, money laundering or other forms of financial crime, or clearly signals that the message comes from the CEO, the Board Chair or anyone else in the company's senior management team. In other words, the Council has seen no documentation indicating a clear tone from the top at Bombardier with respect to corruption and other serious financial crime.

It is not possible for the Council to judge whether Bombardier makes adequate assessments of the corruption and money-laundering risk, because the company has not shared details of what its risk assessments consist of. It has merely stated that its most recent assessments of corruption and money-laundering risk have resulted in no material finds. In the Council's opinion, a company that operates globally will always be exposed to risk to some extent or other. The Council considers that one of the primary purposes of risk analyses is to prioritise the use of company resources in the compliance area. When no risk is uncovered, it becomes impossible for the Council to presume that the company is directing its preventive activities to those areas where the risk is highest.

The Council further notes that Bombardier still does not have a separate plan for its anti-corruption efforts or for its KYC/AML initiatives. At the same time, however, the Council notes that the company has updated its guidelines in these areas, which seem largely to be in line with prevailing international standards. The Council finds it positive that Bombardier has a compulsory compliance training programme for new employees, as well as annual certification of its ethical guidelines. However, it remains uncertain to what extent the company also offers specialised tuition to employees in risk-exposed positions, apart from the basic, generic introduction to the legislation, company guidelines and databases.

Compared with other companies of a similar size, it may appear as though Bombardier has a relatively robust compliance organisation. However, it has not been possible for the Council to make any more detailed assessment of the overall competence in the relevant department on the basis of the information Bombardier has shared with it.

One of the most important findings in the original assessment was the major discrepancy between what the company itself had disclosed about key third

parties and the information the Council had obtained from other sources. In the Council's view, this indicated that Bombardier was not conducting its due diligence assessments in a sufficiently effective manner. The Council has therefore requested figures for the number of due diligence assessments related to corruption and money-laundering that Bombardier has performed each year in the past five years, including the number of third parties/customers rejected on the basis of these types of risk, as well as an example of a report from one such assessment. To the extent that the company addressed this request at all, it declined to provide the information on the grounds that it was confidential. It is therefore not possible for the Council to make any further assessment of the extent to which Bombardier's due diligence system with regard to corruption/money laundering risk is operational.

Since Bombardier's use of agents has probably constituted one of its largest corruption risks, the Council considers it positive that the company has significantly reduced its use of agents since 2018. At the same time, the Council notes that the company still to some extent uses sales agents on an ad hoc basis. It would also like to remark that Bombardier has shared very little information about how the company compensates for the loss of the services that agents/intermediaries previously provided.

In its original recommendation, the Council questioned Bombardier's ability to respond adequately to reports of wrongdoing, including the conducting of investigations and implementation of corrective measures. In connection with the Council's observation, Bombardier has shared a brief description of how it deals with whistleblowing reports and conducts related investigations. However, Bombardier declined the Council's requests for figures concerning the number of reports relating to suspicions of corruption/money laundering that the company has received in the past five years, including the number of confirmed cases, and what steps have been taken against employees. The company justified its position on the grounds that this is confidential information. The same applies to the Council's request to see an example of a report from one of the company's investigations into allegations of corruption/bribery or money laundering. The Council therefore remains unable to determine the extent to which Bombardier has an effective system for following up and responding to reports by whistleblowers.

It is worth remembering that Bombardier or its subsidiaries may be linked to allegations or suspicions of corruption in six countries over a period of more than ten years, and that the allegations/suspicious relate to bribes or suspicious transactions worth more than USD 100 million. The company remains under investigation with respect to these matters in a number of countries, and continues to operate in countries and regions where the risk of corruption is high. On this basis, the Council considers that Bombardier has failed to provide it

with adequate documentation to show how the company's anti-corruption and anti-money laundering systems work *in practice*. This applies, for example, to due diligence assessments and the follow up of whistleblower reports, which were highlighted in the Council's original recommendation as major failings.

All in all, therefore, the Council considers that the uncertainty attaching to Bombardier's efforts to prevent, detect and deal with corruption still is present.

Nor does the Council consider it realistic that Bombardier will be able, during the remaining portion of the observation period, which Norges Bank had set to two years, to provide sufficient documentation to establish that the risk of the company contributing to gross corruption or other serious financial crime has reached an acceptable level. The Council therefore recommends that observation of the company be extended.

4 Recommendation

The Council on Ethics recommends that observation of Bombardier Inc be extended.

Svein Richard
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