



Blenheim Capital

Blenheim Capital Services Limited

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Blenheim Capital welcomes Transparency International report on “*Due Diligence and Corruption Risk in Offsets*” and calls on all parties involved in offsets to take up the recommendations outlined

Following the release of Transparency International’s report into due diligence and corruption risk in offsets, Blenheim Capital today provides its full support to the report’s recommendations and calls on all parties involved in offsets to work together to help offsets reach their full potential.

The report, based on interviews with 27 market participants has seven core findings and eight recommendations outlined below and targeted at each set of actors in offset transactions. At the heart of the findings is the need to have a detailed understanding of all parties involved in transactions, and processes and policies in place to ensure each party takes a pro-active approach to supporting full transparency.

In addition the report highlights Blenheim Capital’s due diligence questionnaire as a best practice example, full details of which can be found on the Transparency International and Blenheim Capital websites.

Speaking of the recommendations Grant Rogan, Founder and CEO of Blenheim Capital Services Limited said:

“Well structured and managed offset programmes can provide significant benefit to procuring countries, as well as establishing long term relationships that support future sales by OEMs. We believe that for offsets to achieve their full potential there needs to be increased transparency throughout the process and welcome Transparency International’s report.”

At Blenheim we have actively sought regulation from ITAR and FCPA to being authorised and regulated by the FSA. We are proud that our due diligence questionnaire is being held up as a best practice example, and call on all parties involved in offsets to take up the recommendations outlined.”

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Notes for Editors

Transparency International

Transparency International (TI) is the civil society organisation leading the global fight against corruption. Through more than 90 chapters worldwide and an international secretariat in Berlin, Germany, TI raises awareness of the damaging effects of corruption, and works with partners in government, business and civil society to develop and implement effective measures to tackle it.

The Defence and Security Programme works with governments, defence companies, multilateral organisations and civil society to build integrity and reduce corruption in defence establishments worldwide. The London-based Defence and Security Programme is led by Transparency International UK.



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The report - DUE DILIGENCE AND CORRUPTION RISK IN DEFENCE INDUSTRY OFFSETS PROGRAMMES can be downloaded from:-

<http://www.ti-defence.org/publications/1019-due-diligence-and-corruption-risk-in-defence-industry-offsets-programmes>

The key findings are:-

- Offset due diligence practice is improving.
- Substantial variations in practice exist
- There are many examples of good practice
- Verification is the most troublesome area
- Scrutiny of offset corruption risk needs to be integrated into normal business conduct and compliance practice
- Governments should require more stringency and transparency in offset programmes
- Industry associations need to be more proactive

The key recommendations are:-

For defence companies

Recommendation 1:

Defence companies should review their own offset due diligence practices against the status described in this review, particularly in relation to the more difficult issues of verification and red flags

Recommendation 2:

Companies should ensure that contracts are clear in allocating responsibility for conducting due diligence.

Recommendation 3:

Sub-contractors, brokers and other intermediaries and advisers should be required in their contracts to disclose to the obligor all information material to the offset programme, specifically including potential corruption related observations or concerns.

Recommendation 4:

Companies should ensure that their corporate compliance and business conduct policies explicitly include reference to responsibility and requirements for offset arrangements.

For service providers:

Recommendation 5: Service providers who provide due diligence services, especially those who provide verification on red flag issues and on-the-ground investigators, should be encouraged to develop lowercost services for smaller companies.

For industry associations:

Recommendation 6:

Industry associations such as ASD, AIA, IFBEC, GOCA and DIOA should advise their members to review their offset due diligence practices, and provide them with guidance on good practice.

Recommendation 7:

Industry associations should find ways to encourage governments to strengthen their transparency and public reporting requirements. They might consider providing a checklist that government officials could use, specifying transparency, reporting and audit requirements. This checklist would set a good template that governments could follow. Or, they could facilitate an international forum that brings together company experts and government offset officers.

For governments:

Recommendation 8:

Governments could have a major impact in reducing corruption risk in offset programmes. They should review their policies and procedures so as to make their offset institutional frameworks more robust, more transparent and with greater public reporting. Government officials could consider the proposals made in Transparency International UK's 2010 'Defence Offsets' report

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Established in 2006, Blenheim Capital is a provider of offset advisory, transaction and consulting services to governments and corporations around the world. Blenheim's core activities include structured finance offset solutions, structured procurement financing, technology development and government & corporate consultancy services in relation to national offset and procurement programmes.

Blenheim Capital works with its clients to originate; source and structure financing packages that bring economic benefit to strategically important government approved projects through the use of offset liability based funding. In return for funding such projects Blenheim Capital's corporate clients receive credit against offset obligations incurred during major national procurement programmes.

By working with governments and the corporations from which they procure, Blenheim Capital has been able to bring crucial low cost and early stage funding to projects that develop, support and enhance strategic national objectives. In addition, by providing certainty around offset obligation costs to equipment manufacturers and service providers it is able to enhance the efficiency of the procurement related offset model.

To date Blenheim Capital has acted on projects relating to more than \$11bn of offset obligations and has invested more than \$50m of its own capital in its projects.

Blenheim is headquartered in Guernsey with its primary services and support functions in London. In addition, Blenheim operates liaison offices in Washington DC, Abu Dhabi, Bahrain and Kuala Lumpur.

Blenheim Capital Services Limited is authorised and regulated by the UK Financial Services Authority. Blenheim Capital Partners Limited is registered with the Guernsey Financial Services Commission as a non-regulated Financial Services Business. In addition, the Blenheim Group of companies is registered with the US Department of State under the International Traffic in Arms Regulations (ITAR) regime, and Blenheim Capital Partners Limited and Blenheim Capital Services Limited are registered with the UK Export Control Organisation. Blenheim Capital Partners Limited has also completed a TRACE background review and is a member in good standing.

For further information please visit www.blenheimcapital.net