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The Boeing Company [NYSE: BA] today released a report prepared by a team led by former Senator Warren Rudman of Paul, Weiss, Rifkind, Wharton & Garrison, LLP, examining the company's ethics program and its rules and procedures for the treatment of competitors' proprietary information. The Boeing board of directors initiated this exam by the independent team last July.

On Nov. 24, the Boeing board asked Senator Rudman to conduct an additional review to examine the company's procedures and practices on hiring government employees. The company anticipates this review will be completed in the first quarter of 2004.

"In our review, we concluded that Boeing has gone to great lengths to establish, maintain and continually improve upon an ethics program that is impressive in its scope and detail," Senator Rudman said. "We do not believe that any of the alleged ethics breaches involving competitors' proprietary information represent either fundamental flaws or a systemic failure. Clearly, however, there are areas requiring improvement and our recommendations address these with the objective of strengthening the entire program." (An executive summary and the full text of the report can be found on the Boeing Web site.)

Also today, Boeing released the executive summary of a separate review conducted by the Ethical Leadership Group of Wilmette, Ill. That report was also conducted independently to assess the structure of the company's ethics program, with emphasis on communications, training, integration and corporate culture. An executive summary is available on the Boeing Web site and questions regarding the text of the report should be directed to ELG.

The reports are structured around key findings that describe areas for improvement in company programs. These improvement areas fall into several categories: structure of the ethics program; senior leadership engagement; line management leadership; training; upward communication; and assessment and monitoring. The Rudman report details 16 recommendations, which Boeing Chairman Lew Platt said the company intends to address quickly and comprehensively.

"The Boeing board and management understand that ethics is a zero-tolerance issue for this company and that we must earn the trust of our customers every day," Platt said. "While we are gratified that our commitment to excellence in these areas came through, we are implementing all of these recommendations -- as well as initiating additional steps -- so that we can achieve an even higher standard."

Platt noted that the company's recently established Office of Internal Governance exceeds the scope of the report's recommendations by establishing a broad new function -- with a direct reporting relationship to the president and CEO. The new office combines direct oversight of ethics, internal audit, import-export compliance, and foreign sales consultants, with independent assessments of internal controls and governance requirements.

"These recommendations are intended to augment Boeing's existing programs and procedures and, in fact, we recognize that the company has already taken action to address certain weaknesses that we identified," said Senator Rudman. "The board and management of Boeing have been completely open to our findings and fully cooperative in our review process. We are confident they will find effective ways to implement these recommendations and give them strength and prominence throughout the organization," he added.

"Based on our meetings with more than 1,000 Boeing employees and 10 years doing solely ethics and compliance consulting, we found Boeing's ethics program to be well above average," said Steve Priest, president of Ethical Leadership Group. "More importantly, we note that Boeing's culture supports ethical, responsible behavior. Perhaps Boeing's biggest issue -- shared with many of America's largest firms -- is that many employees believe open and candid communications are not encouraged. Releasing the results of both assessments is a strong signal of Boeing's commitment to create a candid, open, world-class culture."

Senator Rudman is of counsel in the Washington, D.C., office of the law firm of Paul, Weiss, Rifkind, Wharton & Garrison, LLP. He is a former U.S. Senator from New Hampshire and Chairman of the Senate Ethics Committee. Most recently he was a member of the Conference Board's Commission on Public Trust and Private Enterprise, which recommended significant reforms related to corporate governance, business ethics, and auditing and accounting issues. He is a director of the Chubb Corporation, Allied Waste, Boston Scientific, Collins & Aikman and the Raytheon Company.

Ethical Leadership Group is a leading business ethics consulting firm. Founded in 1993 by Steve Priest, ELG has consulted with 20 percent of the Fortune 200 and has worked to encourage ethical leadership in some 20 countries. ELG is retained by boards, executives and ethics officers to assess or strengthen a corporation's commitment to the highest standards of ethics and compliance. Priest also directs the Conference Board's Business Ethics Conference.

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