

UK Modern Slavery Act

Response 2023



Contents

Statement signed on behalf of

We are committed to conducting business responsibly and to maintaining and improving systems and processes that reduce the risk of slavery and human trafficking in our business and supply chain.

This statement is made pursuant to Section 54 of the UK Modern Slavery Act 2015 and sets out the steps BAE Systems plc and its UK subsidiaries have taken to identify and prevent slavery and human trafficking in our business and supply chain, in the UK, during the year to 31 December 2022.

Approval by subsidiaries

The BAE Systems Modern Slavery Act Response 2023 has been approved by the board of directors of the following subsidiaries:

BAE Systems (Military Air) Overseas Limited

BAE Systems (Oman) Limited

BAE Systems (Operations) Limited

BAE Systems Applied Intelligence Limited

BAE Systems GCS International Limited

BAE Systems Global Combat Systems Munitions Limited

BAE Systems Marine Limited

BAE Systems Surface Ships Limited

They all delegated authority to Charles Woodburn to sign this response on their behalf.



Charles Woodburn

Chief Executive
BAE Systems plc

Signed 29 March 2023 following Board approvals.

2022 achievements and 2023 plans

What we achieved in 2022

Identified potential improvement actions and reviewed progress at regular UK modern slavery working group calls;

Provided a human rights and modern slavery briefing for the UK modern slavery working group;

Provided mandatory modern slavery awareness training to targeted employees who are responsible for procurement in our UK businesses;

Monitored the roll out of Real Living Wage to tier one contractors who are regularly working on our sites across the UK;

Rolled out revised UK Standard Conditions of Purchase incorporating provisions on modern slavery and the Real Living Wage;

Revised and launched our Supplier Principles – Guidance for Responsible Business (Supplier Principles), which includes clearer expectations regarding human rights and modern slavery;

Supported the Joint Supply Chain Accreditation Register (JOSCAR) Governance Group to update the JOSCAR supplier prequalification questions to enhance the modern slavery section;

Conducted risk based assurance with suppliers representing more than 30% of our global spend, to confirm adoption of our new Supplier Principles;

Continued to assess our tier 1 suppliers against high risk commodities and locations;

Implemented key performance indicators in the UK; and

Strengthened our Ethics Helpline modern slavery reporting process.

What we plan to do in 2023

Extend roll out of modern slavery awareness training to targeted employees who are responsible for procurement in our UK businesses;

Deliver a modern slavery awareness brief at our Global Supply Chain Town Hall;

Continue to engage our suppliers on our Supplier Principles – Guidance for Responsible Business;

Continue to conduct risk based assurance with suppliers to confirm adoption of our new Supplier Principles;

Continue to assess our tier 1 suppliers against high risk commodities and locations;

Develop and communicate a formal Modern Slavery Escalation Procedure within our UK businesses to escalate reports of and concerns relating to human trafficking and slavery;

Refresh our procurement lifecycle management guidance to support supplier assessment and management in respect of ESG, sustainability and modern slavery;

Benchmark our UK modern slavery practices against external best practice; and

Develop debt bondage focused due diligence for key labour providers to our UK businesses.

2022 key performance indicators



UK employees (targeted employees who are responsible for procurement in our UK businesses) have received modern slavery awareness training



Number of calls to Ethics Helpline regarding human rights and modern slavery in our business operations or supply chain



of ethics cases completed or in progress regarding human rights and modern slavery in our business and / or supply chain



Number of suppliers to UK businesses that are potentially higher risk for the purpose of modern slavery being managed and monitored



of global supplier spend reviewed against revised Supplier Principles

We will continue to use the above KPIs in 2023, as the basis for evaluating the progress of our modern slavery activities/programme.

Business overview

Our purpose

At BAE Systems our purpose is to serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led.

We have an important role in society because we:

- Help our customers to provide security and safety;
- Contribute to the economic prosperity of the places where our people live and work;
- Support high value jobs in our business and in our supply chains;
- Value our people and their diversity so they can fulfil their potential in an inclusive and supportive working environment;
- Seek to identify opportunities for individuals from disadvantaged backgrounds;
- Support employees' rights in relation to freedom of association;
- Inspire and excel in the work we do - the technologies we develop and the talent we build;
- Develop cutting-edge technologies to sustain the competitive strength of the Company in global markets;
- Create best-in-class products and services by forging strong relationships with our suppliers and partners;
- Care for and support our local communities; and
- Use our knowledge and technologies to reduce the environmental impacts of our activities. We have set ourselves the target of achieving net zero greenhouse gas emissions across our operations by 2030.

Facts

- Global defence supplier and world-leading innovator
- Established positions in air, maritime and land domains
- Growing position in cyber security
- Principal markets – US, UK, Saudi Arabia and Australia
- 93,100 employees in around 40 countries
- 2022 sales of £23,256m
- £11.5bn spent with 21,000 directly-contracted suppliers

We employ a skilled workforce of 93,100 people in around 40 countries. We help our customers to stay a step ahead when protecting people and national security, critical infrastructure and vital information.

We also work closely with local partners to support economic development through the transfer of knowledge, skills and technology.

Our markets

US

The US continues to represent the single largest defence market in the world. BAE Systems is a top ten defence prime contractor in the US.

UK

BAE Systems is the largest defence company in the UK, with strong and long-standing relationships with the Ministry of Defence and our supply chains.

Saudi Arabia

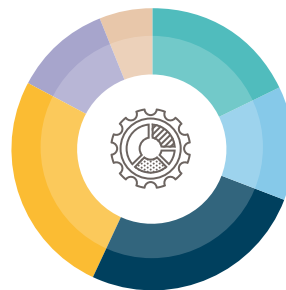
The Kingdom of Saudi Arabia continues to be a leading military power and one of the largest defence markets globally.

Australia

BAE Systems is the largest defence company in Australia, with strong activities across all domains and the business is set to grow significantly in the coming years.

International

BAE Systems has many strong and enduring relationships in international markets.



Employees by sector

- Electronic Systems – 16,900
- Platforms & Services (US) – 12,200
- Air – 24,400
- Maritime – 24,200
- Cyber & Intelligence – 10,500
- HQ/other – 4,900

Total Employees – 93,100



Employees by location

- US – 31,300
- UK – 39,600
- Saudi Arabia – 6,700
- Australia – 4,900
- Other – 10,600

Total Employees – 93,100

Our economic impact in the UK

To quantify our economic contribution, we asked Oxford Economics to produce an independent analysis of our contribution to the UK's economy in 2020. A copy of the full report, 'The Contribution of BAE Systems to the UK Economy 2022' and an infographic can be downloaded [here](#).

For every 100 jobs at BAE Systems, we support a total of 410 jobs across the UK economy.

143,000 Full Time Equivalent UK jobs. 35,300 at BAE Systems working at 50+ sites. 59,000 in our supply chain. 49,000 supported by workforce spend.

£10.1bn contribution to the UK's GDP. GVA multiplier of 3.5 (for every £100 in GDP created directly by BAE Systems, a total of £350 is supported across the UK economy as a whole).

£3.9bn exports. Equivalent to 0.7% of 2020's UK exports. Contributed £2.6bn in net exports to UK's balance of payments.

£2.7bn total tax contribution. Including more than £700m paid directly by BAE Systems.

72% of employees in engineering related roles. We're one of the UK's largest employers of engineers.

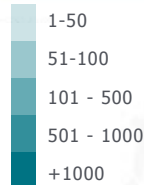
£3.8bn supplier spend. With 5,000 UK suppliers.

£83,000 value added productivity per employee. 29% higher than the national average.

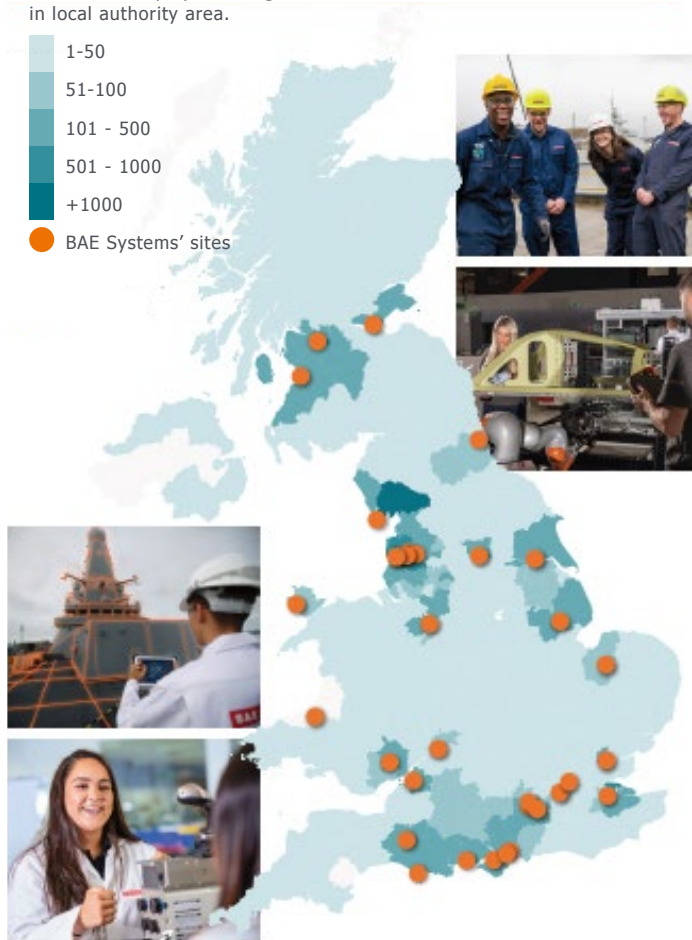
£93m invested in skills and education. Working with schools, colleges and universities across the UK.

£1.1bn invested in technology & R&D in 2020. On behalf of customers and partners.

Number of employees living in local authority area.



BAE Systems' sites



baesystems.com/ukcontribution

The report showed that our company:

Contributed £10.1bn to the UK's GDP in 2020, contributing a total of £350 for every £100 supported across the UK's economy.

Exported £3.9bn of goods and services, equivalent to 0.7% of UK exports that year and contributed £2bn to the UK's balance of payments.

Supported 143,000 full time jobs across the UK including 35,300 at BAE Systems itself. Of these 72% of employees work in engineering roles.

Spent £3.8bn with 5,000 UK suppliers, supporting nearly 60,000 jobs.

Made a total tax contribution of £2.7bn including more than £700m paid directly by the Company.

Invested £1.1bn in technology, research and development on behalf of customers and partners.

Was highly productive - with each employee contributing £83,000 to the UK economy - 29% higher than the national average.

Supported deprived areas - employing 14,700 full time workers and spending £700m with supplier companies in the bottom fifth of the government's Indices for Deprivation for each of England, Scotland and Wales in 2020.

We invested £93m in skills and education programmes in 2020.

We're offering permanent employment for disadvantaged young people through Movement to Work and Kickstart.

Oxford Economics - The contribution of BAE Systems to the UK Economy' - published 2022. Figures calculated from 2020 data.

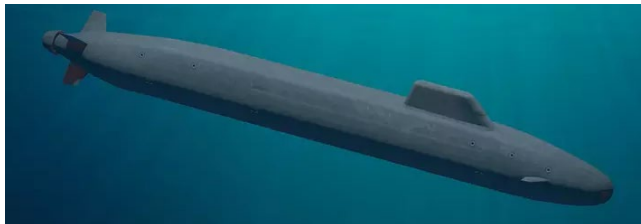
Supporting regional economies

We employ 35,300 staff at sites throughout the UK with a concentration of employees living in the following regions:



In the central belt of Scotland we:

- > Manage the shipyards at Govan and Scotstoun.
- > Build Type 26 frigates for the Royal Navy.
- > Manage electronics development facilities at Hillend and a test facility at Bishopton.
- > Supported 6,420 workers living in the region including 2,490 employed at BAE Systems in 2020.
- > Spent £270m with more than 250 suppliers in the central belt of Scotland in 2020.



In Cumbria we:

- > Manage our single largest UK site at Barrow-in-Furness.
- > Design and manufacture Astute-class and Dreadnought-class submarines.
- > Supported 11,550 workers living in the region including 7,840 employed at BAE Systems.
- > Spent £80m with more than 100 suppliers in Cumbria in 2020.



In Lancashire we:

- > Manage engineering and manufacturing facilities at Warton and Samlesbury, and business support offices in Preston.
- > Manage our participation in the Typhoon, F-35 and Future Combat Air System programmes.
- > Supported 12,650 workers living in the region including 8,730 employed at BAE Systems in 2020.
- > Spent £70m with more than 220 suppliers in Lancashire in 2020.



In the south of England we:

- > Manage 13 sites with naval, aerospace and cyber security capabilities.
- > Deliver upgrades and maintenance to warships, including the Queen Elizabeth-class aircraft carriers, and with KBR, manage Portsmouth Naval Base.
- > Supported 12,300 workers living in the region including 5,160 employed at BAE Systems in 2020.
- > Spent £590m with nearly 750 suppliers in the south of England in 2020.

Our approach to governance of human rights and modern slavery

We are committed to respecting and upholding human rights wherever we operate, in respect of activities under the full, direct control of the Group. Our employees, our suppliers and business partners, are expected to adopt high standards of ethical behaviour. We are committed to conducting business responsibly and to maintaining and improving systems and processes to minimise the risk of slavery and human trafficking in our business or supply chain.

Our human rights statement outlines our approach to responsible business behaviour, including in relation to anti-corruption and the environment, as well as our workplace, supply chain, local communities and products.

Our approach to human rights constitutes

Maintaining high ethical standards and acting in a socially responsible manner in accordance with applicable laws;

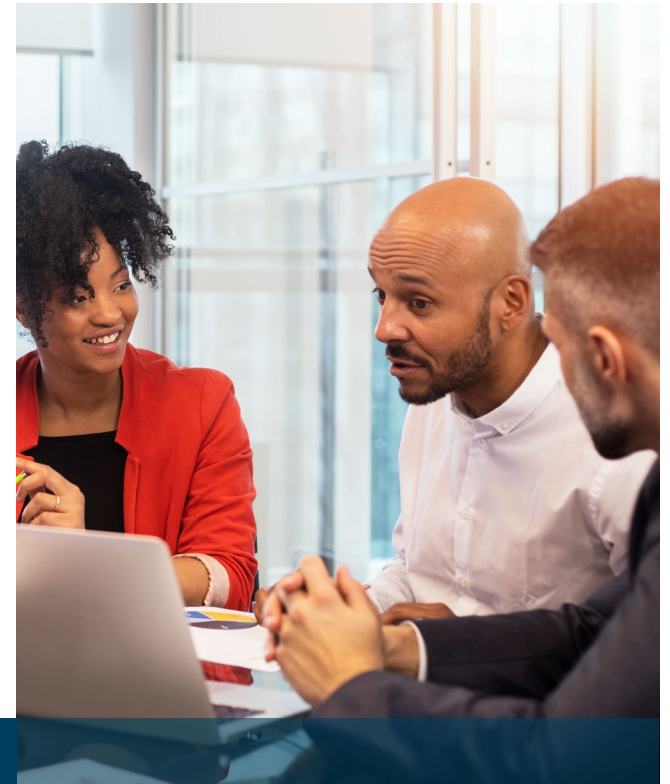
Respecting and supporting the communities in which our businesses are located;

Maintaining and improving global policies and processes which relate to human rights wherever we operate, in respect of activities under the full, direct control of the Company;

Respecting the labour and workplace rights of our employees in accordance with national laws;

Responsible product trading; and

Appointing and working with suppliers and business partners who are expected to adopt high standards of ethical behaviour and business conduct, consistent with our own, in accordance with applicable national laws.



We are committed to conducting business responsibly and to maintaining and improving systems and processes to minimise the risk of slavery and human trafficking in our business and supply chain. For more information on our human rights approach and statement visit [baesystems.com/human rights](https://baesystems.com/human-rights)

Our governance approach

The Board has overall accountability for the broad range of subjects that make up human rights – safety, ethics, responsible business conduct, diversity, equity and inclusion, stakeholder and employee engagement and supplier conduct – areas which are part of our ESG agenda. The purpose of the Environmental, Social and Governance Committee is to assist the Board in promoting the long-term sustainable success of the Company with regard to ESG matters. This includes the oversight of the Company's approach to the application of human rights.

Our Chief Executive has primary responsibility for delivery of the business strategy. He is supported on sustainability matters by the Group ESG, Culture & Business Transformation Director who advises on sustainability strategy and direction and liaises with the business teams to ensure delivery of the strategy.

Our commitment and approach to human rights is embedded across global policies and processes in our Operational Framework (OF) and in our Code of Conduct and is regularly reviewed. Our Code is translated into Arabic, Czech, Hebrew, Slovak, Spanish, Swedish and UK/US English and is embedded across the business via conversation-based training.

All employees are required to adhere to our Code of Conduct and group policies in addition to any specific requirements outlined in local policies.

Our global and local policies and processes for our operations cover:

Supporting the rights of freedom of association and the effective recognition of the right to collective bargaining, where legal;

Upholding elimination of all forms of forced and compulsory labour and effective abolition of child labour;

Upholding elimination of discrimination in respect of employment and occupation;

Supporting a precautionary approach to environmental challenges;

Undertaking initiatives to promote greater environmental responsibility; and

Working against corruption in all forms, including extortion and bribery.

For non-controlled Joint Ventures, BAE Systems employees appointed to the board, or comparable governing body, exert the influence they have to encourage the adoption of governance that is substantially equivalent to our own including, policies and processes, the Code of Conduct, employee training and the Ethics Helpline.

We monitor our performance and compliance with policies and processes via the twice-yearly Operational Assurance Statement (OAS). This is made up of two parts:

A self-assessment by our business and functional leaders of compliance with our OF; and

A report showing the key financial and non-financial risks for the relevant business completed by line and functional leaders.

The key financial and non-financial risks identified are collated and reviewed by our Executive Committee to identify those issues where the cumulative risk, or possible reputational impacts, could be significant. Those risks are then monitored via our Quarterly Business Review and Chief Executive Review processes.

We continue to review our directly controlled operations and policies to ensure they identify and mitigate human rights and modern slavery risks and incorporate best practice.

Code of Conduct

Our updated Code of Conduct, which was rolled out globally to employees in 2021, contains a section on human rights, which includes modern slavery. Our Code of Conduct is supported by conversation-based ethics training which actively encourages all employees to speak up if they have a concern or talk to a colleague, their manager, HR or a legal contact if they need guidance. This annual training offers everyone in our business an opportunity to consider some of the challenges we face in our workplace focusing on those that are particularly relevant to each team.

Stakeholder engagement

Understanding the expectations of our stakeholders is critical to the long-term sustainability of our business. We have an ongoing dialogue with external stakeholders regarding our business and ESG agenda, which includes human rights and modern slavery.

How can employees or suppliers raise concerns or report modern slavery?

We maintain a network of over 300 Ethics Officers and we have a 24-hour independent Ethics Helpline that can be accessed by phone, email or an external website so that employees can ask for support or report a concern, including concerns in respect of human rights issues, such as modern slavery. We encourage employees to speak up without retribution and anonymously if preferred.

Our Ethics Helpline is also available for third parties, including suppliers, to raise concerns or discuss issues. Third parties, including suppliers, can report a concern anonymously. Details of how to contact the Ethics Helpline are included within our Supplier Principles and on our website. If a call regarding human rights or modern slavery was received by our Ethics Helpline, the call would be escalated for review and allocated to a senior company representative for investigation.

During 2022 we reviewed our human trafficking and slavery reporting process and strengthened the escalation procedures within our Ethics Helpline.

We also reviewed the procedure for investigating reports of and concerns relating to human trafficking and slavery. During 2023, we intend to develop and communicate a formal Modern Slavery Escalation Procedure within our UK businesses to escalate reports of and concerns relating to human trafficking and slavery.

What would the Company do if modern slavery activities were found in its operations or supply chain?

If modern slavery or human trafficking activities were found within our operations or directly contracted suppliers, we would act immediately to cooperate fully with all relevant authorities to ensure that our work is not perpetuating modern slavery. This may include changing internal policies and processes, scoping corrective action plans for suppliers and, if appropriate, terminating our relationship with the supplier.

Details of how to contact the Ethics Helpline are included within our Supplier Principles and on our website.



Responsible supply chain – overview

Our ambition in procurement is to be responsible and sustainable across our global business. We cannot achieve this alone, therefore it is important that we collaborate and partner with suppliers to make a positive business impact over the long-term. We spend £11.5 bn with more than 21,000 directly contracted suppliers worldwide.

Geographic location	% of Total Spend
UNITED KINGDOM	38%
UNITED STATES	37%
SAUDI ARABIA	9%
AUSTRALIA	4%
GERMANY	3%
SWEDEN	2%
ITALY	2%
CANADA	1%
FRANCE	1%

Governance of supply chain

Our supply chain management starts with our [Global Procurement Policy](#), which defines the requirements to be implemented by each of our sectors for the establishment of procurement control and the management of supplier related risk.

Our Global Procurement Policy requires our sectors to communicate our 'Supplier Principles - Guidance for Responsible Business' to our suppliers. The Supplier Principles are based on our Code of Conduct and group policies. They set out what we expect from our suppliers and their supply chains and provide guidance for suppliers in relation to modern slavery and human trafficking, as well as matters such as anti-corruption, how employees are to be treated, international trade compliance, environment, counterfeit components and the BAE Systems Code of Conduct.

Throughout our relationship with our suppliers, we raise awareness of and engage them in our Supplier Principles. Suppliers are regularly reviewed throughout their contractual relationships against such non-financial risks (see Supplier due diligence and ongoing management [page 12](#)).

Our Supplier Principles expect and our [UK Standard Conditions of Purchase](#) require suppliers to comply with all applicable laws and regulations, including those related to human rights, modern slavery and the environment.

We periodically update our Supplier Principles and our UK Standard Conditions of Purchase to reflect changes in the law, regulations and other necessary requirements. During 2022, we updated our UK Standard Conditions of Purchase to include, amongst other things, provisions on modern slavery and the Real Living Wage. We also updated our Supplier Principles to include clearer expectations regarding human rights and modern slavery.



We collaborate with suppliers to deliver customer capability, spending **£11.5bn** with more than **21,000** directly-contracted suppliers worldwide.

Supplier due diligence and ongoing management

Risk-based due diligence and audit activity is undertaken for all third parties with whom we engage, whether supplier, adviser, potential joint venture partner, acquisition opportunity or other third party. Where required, this may include establishing the identity of the third party in terms of beneficial ownership and gathering of sufficient information to assess relevant bribery and corruption risks. At the contracting stage we stipulate our expectation that suppliers embrace our standards on ethical behaviour, including those set out in our Supplier Principles.

Prior to approving and selecting suppliers, we outline the products and services we need and establish a way to identify interested suppliers, including small businesses, taking into consideration risk of commodity and supplier location. Once we have a shortlist of potentially suitable suppliers, those suppliers are asked to complete a questionnaire and risk-based due diligence is carried out, as appropriate, against a number of non-financial risks, which may include:

Responsible trading principles - business ethics, anti-corruption and anti-bribery, governance and legislation;

Human rights – working hours, harassment and unlawful discrimination, whistleblowing line, slavery, human trafficking and child labour;

Health and safety – workplace and product safety;

Environment – impact of operations and products;

Management systems – environmental management systems certified to ISO14001; and

Responsible sourcing including conflict minerals.

We also use the Dow Jones Supply Chain Compliance Toolkit as part of anti-corruption due diligence checks for both new and existing suppliers.

The output from the completed questionnaire and risk-based due diligence is assessed, before suppliers (often after a competitive tender) are either approved on the quality assurance and finance system, or deemed unsuitable. In some cases, suppliers are approved with mitigation actions or corrective action plans. Each plan is specific to the supplier and project to which it is supplying. An example may be where a potential new supplier may not have a code of conduct in place or an equivalent standard to our own. The action may be to support the supplier to develop and implement their own code of conduct, or if they are not prepared to do this, we may choose to use a different supplier.

Risk-based due diligence is undertaken for all third parties with whom we engage, whether supplier, adviser, potential joint venture partner, acquisition opportunity or other third party.

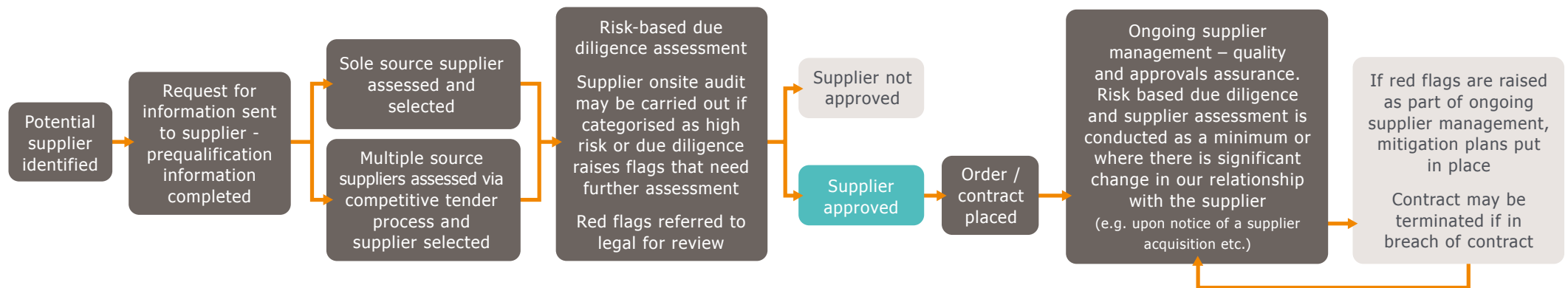


Supplier due diligence and ongoing management

Once a supplier has been approved and a contract has been executed, we continue to actively manage and monitor that supplier throughout the life of their contract, which may include on-site audits. This includes managing any significant changes in our relationship with the supplier as well as undertaking ongoing risk-based due diligence. A global Supply Chain Central Risk Intelligence hub has been established to collect and share new risk intelligence associated with suppliers, as well as category, cyber-security, political and ethical information that may affect our business. Weekly global supply chain disruption meetings are held with senior procurement leaders to ensure the latest risk data is appropriately shared.

Identified supplier non-financial risks are reviewed, depending on level of risk categorisation, via on-site audit, remote deep dive auditing activity or questionnaire, and progress against any mitigation actions or corrective action plans are monitored. If a supplier’s level of risk increases, or gaps in performance are highlighted, performance improvement plans are put in place or enhanced.

The diagram below is an indicative representation of our supplier approval and assurance process.



Conflict Minerals

We expect our suppliers to provide products made from materials, including constituent minerals, that are sourced responsibly and to support efforts to eradicate the use of any minerals which directly or indirectly finance or benefit armed groups that are perpetrators of serious human rights abuses.

Our approach to human rights and modern slavery risks in our business and supply chain

Our approach to identifying and assessing human rights risks, including modern slavery risks, is embedded within our approach to risk management. Responsibility for the management of our most significant non-financial risks is determined by our Executive Committee.

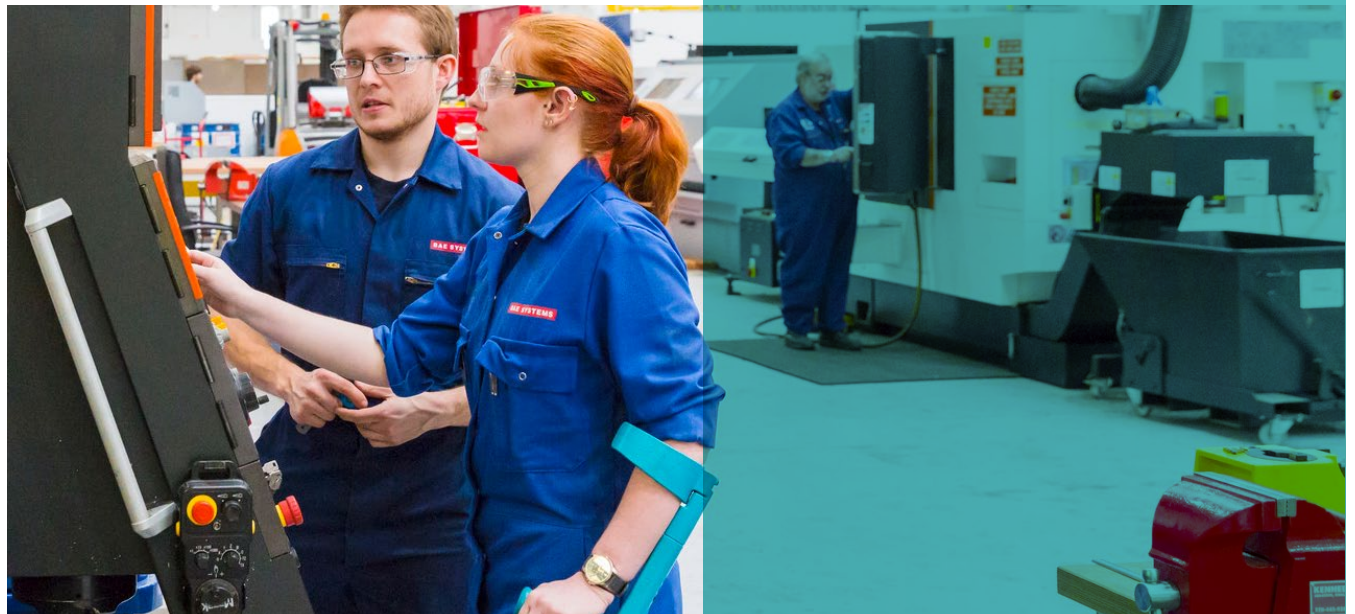
The OAS and non-financial risk registers are reviewed regularly by our Executive Committee to monitor the status and progression of mitigation plans.

The Board's Audit Committee monitors the key risks identified by the risk assessment processes and reports its findings to the Board twice a year. It is also responsible for reviewing in detail the effectiveness of our system of internal control policies, and procedures for the identification, assessment and reporting of risk.

The Board has overall responsibility for determining the nature and extent of the risk it is willing to take, and ensuring that risks are managed effectively. Risk is considered on a regular basis at Board and Board Committee meetings, and the Board reviews risk as part of its annual strategy review process. This provides the Board with an appreciation of the key risks within the business and oversight of how they are being managed.

The Board regularly reviews the principal risks we face, including those that would threaten our business model, future performance, solvency, liquidity, or reputation. Such risks are assessed based on the likelihood of occurrence, the potential impact on the Company and the timescale over which they might occur. A summary of these risks, together with details of how they are being mitigated and managed, is included in our 2022 Annual Report. While the risks of modern slavery and human trafficking have been identified through our Operational Framework as potential risks, they are not identified as principal risks for the Company.

During 2022, our UK modern slavery working group continued to progress actions to review and strengthen how modern slavery and human trafficking risk is identified, assessed and managed across our UK businesses.



Risk related to human rights and modern slavery

During 2022, we continued to review our directly controlled UK operations to ensure they identify and mitigate modern slavery risks and we continued to assess our tier 1 suppliers against high risk commodities and locations.

Mitigating operational modern slavery risks

We considered the location of our employees and the type of work undertaken as the basis for assessing and understanding the modern slavery risks in our UK operations. Insofar as our operations are concerned, the services that we provide directly to our customers are typically of a highly complex nature requiring a high level of skill, training and education. Further, all directly employed staff in our UK businesses are required to be UK citizens, permanent residents or have the legal right to work in the UK.

Due to the nature of the industry we work in and the customers we support, all potential employees and contingent workers for our UK businesses go through a pre-employment vetting process. Subject to local laws in each jurisdiction, individuals are verified for identity, employment and academic history, nationality and right to work status and criminal record checks.

Risks may potentially arise from the engagement of third party contracted labour performing work on our behalf. Where we work with third party recruitment service providers, they are subject to our supplier due diligence process and Supplier Principles. Suppliers must not charge employees fees, recruitment costs or deposits, directly or indirectly, as a precondition of work and they must handle identification documents in accordance with applicable personal information protection requirements.

During 2022, we supported the Joint Supply Chain Accreditation Register (JOSCAR) Governance Group to update the JOSCAR supplier prequalification questions to enhance the modern slavery section. During 2023, we intend to develop debt bondage focused due diligence for key labour providers to our UK businesses.

We maintain processes designed to ensure that all employees have a contract of employment or offer letter (depending on the jurisdiction of employment) in a language they understand clearly indicating their rights and responsibilities with regard to wages, working hours, benefits and other working and employment conditions. Our processes are designed to ensure we do not retain any original form of employee identification (passports or work permits), nor destroy or deny access to such documentation, as a condition of employment unless required by applicable law.

We maintain processes designed to comply with child labour laws and to ensure that we will not employ anyone under the age of 15 or, where the mandatory school leaving age is higher, that we will not employ anyone under that age in that country. We prohibit the hiring of individuals that are under 18 years of age for positions in which hazardous work is required. We are committed to the development of young people by providing development and apprenticeship programmes.



Risk related to human rights and modern slavery

Mitigating supply chain modern slavery risks

We continue to assess modern slavery risks within our tier 1 supply chain based on where our suppliers are located (geographical risk) and the goods and services provided (products and services risk). This annual assessment focuses on risks in our directly contracted suppliers.

Suppliers who might be deemed as higher risk are identified through analysis of internal data sets and using external regulatory guidance, for example, the U.S. Department of Labor's 2022 List of Goods Produced by Child or Forced Labour which is produced in accordance with the Trafficking Victims Protection Reauthorization Act (TVPPRA). In 2022, our assessment concluded that 0.07% of our global tier 1 suppliers might be deemed as higher risk suppliers based on goods and services provided and location. We will carry out further due diligence on these suppliers and are seeking to revise our contract terms, where appropriate.

During 2022, we conducted further due diligence on suppliers that were identified as potentially higher risk for the purpose of modern slavery in 2021 and we continue to progress applicable mitigation activities, where appropriate with these suppliers

Supplier engagement

During 2022, we revised and launched our new Supplier Principles – Guidance for Responsible Business, to ensure that they better align with the Company's sustainability ambition and to provide clearer expectations in relation to human rights and modern slavery. We will continue to communicate and raise awareness of these Principles during 2023.

We also engaged our UK supply chain on modern slavery, raising awareness of the importance of conducting business responsibly and maintaining and improving systems and processes that reduce the risk of slavery and human trafficking. We also highlighted resources available and promoted our Ethics Helpline as a way to seek advice and report concerns.

We also continued supply chain assurance activity to assess adoption of our Supplier Principles. This activity supports us in identifying and mitigating risks across our supply chain. Our assessments covered 30% of global spend. This activity will continue in 2023.

Employee training

During 2022, our UK modern slavery working group received an external briefing on modern slavery and human rights, to support the working group's role in progressing actions to review and strengthen how slavery and human trafficking risk is identified, assessed and managed across our UK businesses.

To support our procurement employees in identifying and managing modern slavery risks, we identified individuals across our procurement teams to receive mandated modern slavery awareness training. Individuals selected procure goods and/or services from a category that could potentially be recognised as higher risk for the purpose of modern slavery. Our assessment of goods and services, that may be higher risk for the purpose of modern slavery, was based on the U.S. Department of Labor's 2022 List of Goods Produced by Child Labor or Forced Labor and the general supplier categories in our procurement system.

80 procurement professionals were trained during 2022 (with a further 173 trained in January 2023). During 2023, we will continue to deploy this training across our procurement population as part of ongoing rollout of training and development.

Standard terms and conditions

To further mitigate risk across our supply chain, in the UK we have strengthened our [Standard Conditions of Purchase](#), to include provisions on modern slavery and the Real Living Wage. The updated Standard Conditions of Purchase were rolled out in 2022.

Procurement Governance

During 2022, the Procurement Function reviewed its functional and procurement lifecycle management guidance. Strengthened guidance to support supplier assessment and management in respect of ESG, sustainability and modern slavery is planned for 2023.

UK Prompt Payment Code

BAE Systems is a signatory to the UK Prompt Payment Code and we are committed to paying our suppliers promptly and in accordance with agreed terms. Adoption of appropriate payment practices is of significant importance to us, to ensure that we are not adding any unintentional pressure on suppliers. Ensuring that we pay invoices on time is a key focus for our UK businesses. The Board is informed of any significant issues concerning our commitments under the Code.



Our assessments covered 30% of global spend.
This activity will continue in 2023.

Appendix

Glossary of terms

ADS – (Aerospace, Defence, Security & Space) ADS is the UK trade association advancing leadership in aerospace, security, defence and space, to enable prosperity and clean, secure growth for our nation.

Code of Conduct – Our global Code of Conduct lays out the standards and behaviours that are expected of all employees. It guides them in acting responsibly and ethically in everything they do and outlines the ways in which they can seek help and guidance. Our Code is supported by a training and engagement programme to empower them to make ethical decisions. All employees are required to complete ethics training annually alongside e-learning programmes of role-specific training, for example, export controls.

Ethics Helpline – BAE Systems' Ethics Helpline is available for anyone to call to tell us about situations where they think the law or our standards may not have been upheld, or where an issue or concern they have reported is not being dealt with properly. Calls to the Ethics Helpline are free and lines are open 24 hours a day, seven days a week.

ISO14001 – ISO (International Organization for Standardization) is an independent, non-governmental international organisation that brings together experts to share knowledge and develop voluntary, consensus-based, market relevant international standards. ISO14001 sets out the criteria for an environmental management system. It maps out a framework that a company or organisation can follow to set up an effective environmental management system.

Joint Venture (JV) – An Entity in which BAE Systems and one or more other parties have ownership interests and through which business activity is undertaken together.

JOSCAR – The Joint Supply Chain Accreditation Register is a collaborative tool used by the aerospace, defence and security industry to act as a single repository for pre-qualification and compliance information.

Living Wage Employer – Accredited Living Wage employers have been certified by the Living Wage Foundation for their commitment to paying their staff according to the cost of living.

Living Wage Foundation – The Living Wage Foundation campaign for the idea that a hard day's work deserves a fair day's pay. They celebrate and recognise the leadership of responsible employers who choose to go further and pay a real Living Wage based on the cost of living.

Operational Assurance Statement (OAS) – The Operational Assurance Statement is BAE Systems' key governance process which requires that a return is completed every six months by each operational and functional business head, reporting their formal view against such matters as compliance with law and regulation, ethical business conduct, financial controls, risk management, compliance with business planning processes, health and safety, conflicts of interest, delegated authorities, appointment of advisers and product safety.

Operational Framework – The Operational Framework sets out how we do business across BAE Systems, and encapsulates our values, policies and processes, together with clear levels of delegated responsibility aimed at ensuring that all of our employees and businesses act in a clear, accountable and consistent manner. It is reviewed and approved annually by the Board.

Real Living Wage – The real Living Wage is an independently calculated UK wage rate that is based on the cost of living and is paid voluntarily by UK businesses.

Supplier Principles – Our 'Supplier Principles – Guidance for Responsible Business' outline a set of 'best practice' expectations to clarify what we expect from our suppliers and their supply chains. The Principles reflect the standards that we hold for ourselves at BAE Systems.

Tier 1 Suppliers – Tier 1 suppliers are suppliers that BAE Systems directly contract to support operations/ customer deliverables.

Trafficking Victims Protection Reauthorization Act (TVPRA) – The TVPRA is US legislation which enhances efforts to prevent human trafficking, identify and support victims, and ensure offenders and those who facilitate trafficking are held accountable. The Bureau of International Labor Affairs (ILAB) maintains a list of goods and their source countries which it has reason to believe are produced by child labor or forced labor in violation of international standards, as required under the Trafficking Victims Protection Reauthorization Act (TVPRA) of 2005 and subsequent reauthorizations.

UK Modern Slavery Act 2015 – The Modern Slavery Act 2015 is designed to combat modern slavery in the UK and consolidates previous offences relating to trafficking and slavery. The Act gives law enforcement the tools to fight modern slavery, ensures perpetrators can receive suitably severe punishments and enhances support and protection for victims. It received Royal Assent and became law on 26 March 2015.

UK Prompt Payment Code – The Prompt Payment Code (PPC) is a voluntary code of practice for businesses, administered by the Office of the Small Business Commissioner (OSBC) on behalf of the UK Government. It was established in December 2008 and sets standards for payment practices between organisations of any size and their suppliers.

UK Standard Conditions of Purchase – BAE Systems' standard conditions of purchase, used by BAE Systems when purchasing from suppliers on 'back of order' terms and conditions.