

UK Modern Slavery Act

Statement 2025

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 United Kingdom (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 2024.

Approval by subsidiaries

The BAE Systems Modern Slavery Act Statement 2025 has been approved by the board of directors of the following subsidiaries:

BAE Systems Applied Intelligence Limited

BAE Systems GCS International Limited

BAE Systems Global Combat Systems Munitions Limited

BAE Systems Marine Limited

BAE Systems (Military Air) Overseas Limited

BAE Systems (Oman) Limited

BAE Systems (Operations) Limited

BAE Systems Surface Ships Limited

BAE Systems Services Limited

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



Charles Woodburn

Chief Executive
BAE Systems plc

Signed 26th February 2025 following Board approvals.

2024 achievements and 2025 plans

What we achieved in 2024

Reviewed our internal benchmark exercise with a view to making recommendations for adoption within our UK business;

We completed a deeper dive benchmark review against the publicly available information from four peer organisations in order to identify areas of strength and opportunity. From this exercise, we have identified a number of potential activities for 2025 that will help us continue to improve on our modern slavery risk identification and mitigation activities in our business and supply chain. These include:

Continue to build on the scope of our supplier risk assessment activities;

Build on delivery of modern slavery awareness;

Further clarify our related documentation, roles and responsibilities;

Where appropriate, engage with third party organisations in our planning, assessment, mitigation and continual improvement activities; and

Review and refresh our existing Supplier Principles.

Updated our business guidance;

We updated our supply chain documentation, including those related to modern slavery to offer guidance to our business on how to consider these aspects at each stage of the procurement process.

Continued to deploy modern slavery awareness e-learning across relevant areas of our UK business;

We embedded our modern slavery awareness training modules into our internal training systems and delivered awareness to over 700 procurement personnel.

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

We continued to communicate our expectations to suppliers through our Supplier Principles – Guidance for Responsible Business document, as well as through content on our new [Supplier Knowledge Sharing web page](#).

In addition, we developed and launched a set of Supplier Principles engagement cards across a number of areas of our business, providing guidance to our supply chain population on holding meaningful and impactful supplier conversations around each of our principles.

Continued to conduct risk-based assurance with suppliers to confirm adoption of our Supplier Principles;

We completed our annual Supplier Principles Assurance Review which covered 34% of our global spend.

Assessed our tier 1 suppliers against high risk commodities and locations.

We completed three planned supplier risk assessments during 2024, covering the identified high risk commodities and locations. This included an annual debt bondage risk assessment conducted with five of our key agency suppliers, as well as two global tier 1 supplier risk assessments (conducted at mid and year end) with commodities and locations assessed against the US Department of Labor Trafficking Victims Protection Reauthorization Act (TVPRA) List of higher exposure risk goods and locations.

What we plan to do in 2025

Follow-up on our 2024 benchmarking observations through a prioritised set of activities that continually strengthen our practices and approaches;

Engage across our UK business to communicate, educate and deploy the revised Supply Chain guidance and identify opportunities to develop further;

Continue to maintain appropriate awareness currency across our business;

Continue to engage our suppliers on our approach to mitigating modern slavery in our supply chain;

Review and update our Supplier Principles – Guidance for Responsible Business;

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

Continue to assess our supply chain against high risk commodities and geographies.

2024 key performance indicators

Our current KPIs are in place to measure aspects of the following:



Assessing and managing risk

- 3 Number of supplier-focused risk assessment activities completed in year (1 debt bondage and 2 tier 1 supplier risk assessments):
- 1 Number of suppliers that are potentially higher risk for the purpose of modern slavery being managed and monitored (related to our UK business).
- 0 Number of key agency suppliers that are potentially higher risk of debt bondage being managed and mitigated.



Conducting due diligence

- 34% of supplier spend reviewed against revised Supplier Principles.
- 0 Number of calls to Ethics Helpline regarding human rights and modern slavery in our business operations or supply chain.
- 0 Ethics cases regarding human rights and modern slavery in our business and/or supply chain.



Training/awareness provision (including knowledge sharing)

- 13 Targeted modern slavery awareness sessions completed in year:
- 700+ Employees (targeted employees who are responsible for procurement in our UK business) received modern slavery awareness training during 2024.
- 1300+ Supply chain personnel maintained training currency in year (>80% of our targeted population).
- 2 Supplier knowledge sharing events undertaken which included reference to modern slavery (provision of brochure and delivery of all-supplier webinar).

We will continue to use the above KPIs in 2025, to evaluate the progress of our modern slavery activities/programme and, where appropriate, review the scope and content of these with an appropriate third party.

Group overview

Our purpose

To serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led. Through careful long-term management and governance of our business we will continue to create value for our stakeholders.

Our vision

To be the premier international defence, aerospace and security company.

Our mission

To provide a vital advantage to help our customers to protect what really matters.

Our values

At BAE Systems everything we do is steered by our three core values: *Trusted, Innovative, Bold.*

Facts

Global defence supplier and world-leading innovator

Established positions in air, maritime and land domains

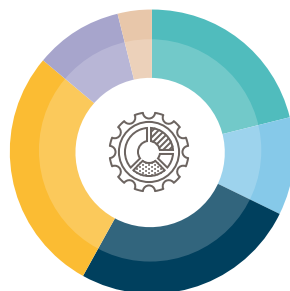
Growing position in cyber security

Principal markets – US, UK, Saudi Arabia and Australia

107,400¹ employees in more than 40 countries

2024 sales of £28,335m²

£15bn spent with 21.5k directly contracted suppliers



Employees by sector¹

- Electronic Systems – **22,400**
- Platforms & Services (US) – **11,600**
- Air – **27,800**
- Maritime – **30,100**
- Cyber & Intelligence – **10,900**
- HQ/other – **4,600**

Total Employees – 107,400¹

We are a workforce of 107,400¹ highly skilled people in more than 40 countries. Working with our customers and local partners, we develop, engineer, manufacture and support products and systems that deliver military capability, protect national security, and keep critical information and infrastructure secure.

We maintain leading positions in major defence and security markets around the world – including the US, UK, the Kingdom of Saudi Arabia and Australia – as well as established positions in a number of other international markets.



Employees by location¹

- US – **34%**
- UK – **46%**
- Saudi Arabia – **6%**
- Australia – **6%**
- Other – **8%**

Our unique global position and capabilities

We have a strong position in the US through the Special Security Agreement and are the leading defence contractor in the UK and Australia. In Europe, we have a considerable presence through our Swedish combat vehicle and artillery business, our role on Eurofighter, our 37.5% shareholding in MBDA and our content on US foreign military sales. We have a long-established position in the Middle East and through the Global Combat Air Programme (GCAP), we are forging strong links with Japan.

In addition, our diverse portfolio of capabilities in the air, sea, land, cyber and space domains provides us with a comprehensive offering for our customers around the world, making us one of the broadest and most geographically diverse major defence companies.

Our market positions and discriminating capabilities are aligned with enduring global defence priorities to include our customers' requirements to operate in joint all-domain environments.

¹ As at 31 December 2024 and including share of equity accounted investments.

² Sales is defined in the Alternative performance measures section on page 220 of our 2024 Annual Report. Total figure includes HQ/other of £361m.

For more information on our contribution to the UK and its regions, please see our latest [Oxford Economics Report](https://www.baesystems.com/en-uk/our-contribution-to-the-uk-and-its-regions) here:
www.baesystems.com/en-uk/our-contribution-to-the-uk-and-its-regions

Our approach to governance of human rights and modern slavery

We are committed to respecting human rights wherever we operate, in the activities that fall under the full, direct control of the Group. Our employees, our suppliers and business partners are all expected to adopt high standards. We are committed to conducting business responsibly and 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 in the activities that fall under the full, direct control of the Group, as well as our workplace, supply chain, local communities and products.



Our approach to human rights constitutes

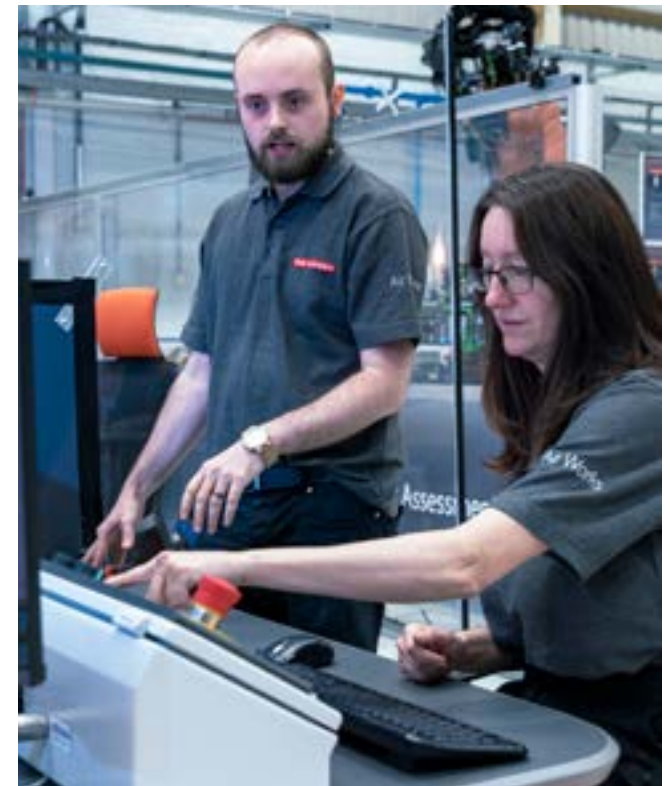
Maintaining high standards and acting in a socially responsible manner in accordance with applicable laws;

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 Group;

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

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



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 considers a broad range of subjects that make up human rights – safety, ethics, responsible business conduct, inclusive workforce, stakeholder and employee engagement, and the Group’s supply chain. The purpose of the Environment, Social and Governance Committee is to assist the Board in promoting the long-term success of the Group, including the oversight of the Group’s approach to the application of human rights.

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

Our commitment and approach to human rights is considered 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, Latin American Spanish, Slovak, Swedish and UK/US English and is considered 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;

Aiming to eliminate all forms of forced and compulsory labour and effective abolition of child labour;

Aiming to eliminate 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, rolled out globally to employees in 2024, 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 success of our business. We have an ongoing dialogue with external stakeholders regarding our business 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 288 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 representative within the Group for investigation in accordance with the Modern Slavery Reporting Procedure. Our Ethics Helpline includes human trafficking and slavery escalation procedures introduced in 2023.

What would the Group 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, conducting onsite or offsite audits/interviews, scoping corrective action plans for suppliers and, if appropriate, terminating our relationship with the supplier via a responsible exit strategy.



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 supply chain is to be responsible 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 £15bn with more than 21.5k directly-contracted suppliers worldwide.

Geographic location	% of Total Spend
UNITED KINGDOM	38%
USA	37%
SAUDI ARABIA	7%
AUSTRALIA	4%
SWEDEN	4%
GERMANY	3%
CANADA	1%
ITALY	1%
FRANCE	1%
SWITZERLAND	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.

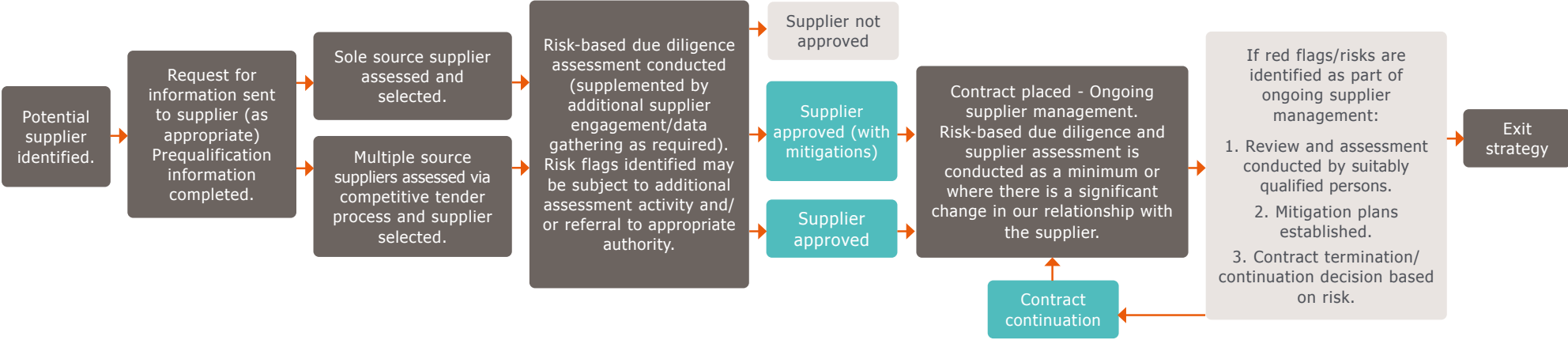
Our Global Procurement Policy requires our sectors to communicate our Supplier Principles to our suppliers. The Supplier Principles are based on our Code of Conduct and Group policies. They set out what we expect from our suppliers and their supply chains and provide guidance for suppliers in relation 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.

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. Our UK Standard Conditions of Purchase were reviewed and re-issued in early 2025, and we aim to conduct a review of our Supplier Principles during 2025.

The below diagram provides a high level overview of the key considerations within our supplier approval and due diligence process:



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. At the contracting stage, we stipulate our expectation that suppliers embrace our ethical values, 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. We further enhanced this in 2024 through the launch of our dedicated [UK SME web pages](#), providing clear links to our areas of interest as well as some of our high level fit for business requirements, including ethical conduct and our Supplier Principles. 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 third party toolsets to help compliance as part of anti-corruption due diligence checks for both new and existing suppliers. The output from 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. 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.

Our supplier due diligence and assurance processes are designed to identify and highlight risk flags at on boarding and periodically throughout a supplier relationship. Should we identify a significant risk (including the potential risk of modern slavery), we would work to understand the full nature of this and then refer to the relevant subject matter experts internally to understand appropriate follow up actions/mitigations. Where relevant, we would aim to work with the supplier to develop a robust mitigation plan, which may include the implementation of additional approval conditions.

In extreme circumstances, where a risk identified cannot be mitigated, we may consider de-listing or not progressing engagement with that supplier via a responsible exit strategy, where appropriate.



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.

*International Organization for Standardization

Supplier due diligence and ongoing management

Once a supplier has been approved and a contract has been executed, we monitor that supplier. This includes managing any significant changes in our relationship with the supplier.

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. Periodic global supply chain disruption meetings are held with senior procurement leaders to ensure risk data is appropriately shared. Proactively managing suppliers and sharing appropriate data allows procurement to develop risk-mitigating strategies, helping to reduce the risk of supply chain disruptions.



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 considered 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 Audit and Risk Committee monitors the Group's key risks identified by the risk assessment processes and reports its findings to the Board twice a year. To support this activity, it receives insight on particular risk-related matters from the other Board sub-committees, including the Environmental, Social and Governance and Remuneration Committees. The Audit and Risk Committee is also responsible for reviewing the effectiveness of the Group's risk management and internal control framework.

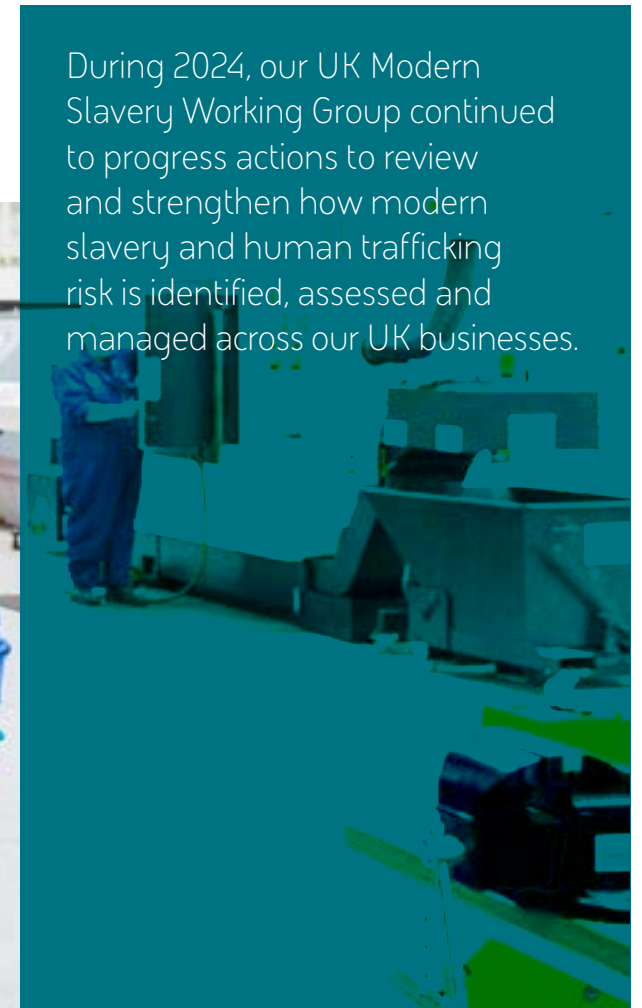
The Board has overall responsibility for determining the nature and extent of the risk it is willing to take, and ensuring that risks are managed effectively across the Group.

Risk is considered on a regular basis at Board and Board Committee meetings, and the Board reviews risk (including emerging 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.

A summary of these risks, together with details of how they are being mitigated and managed, is included in our 2024 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 Group.



During 2024, 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 2024, 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 business are required to be UK citizens, permanent residents or have the legal right to work in the UK.

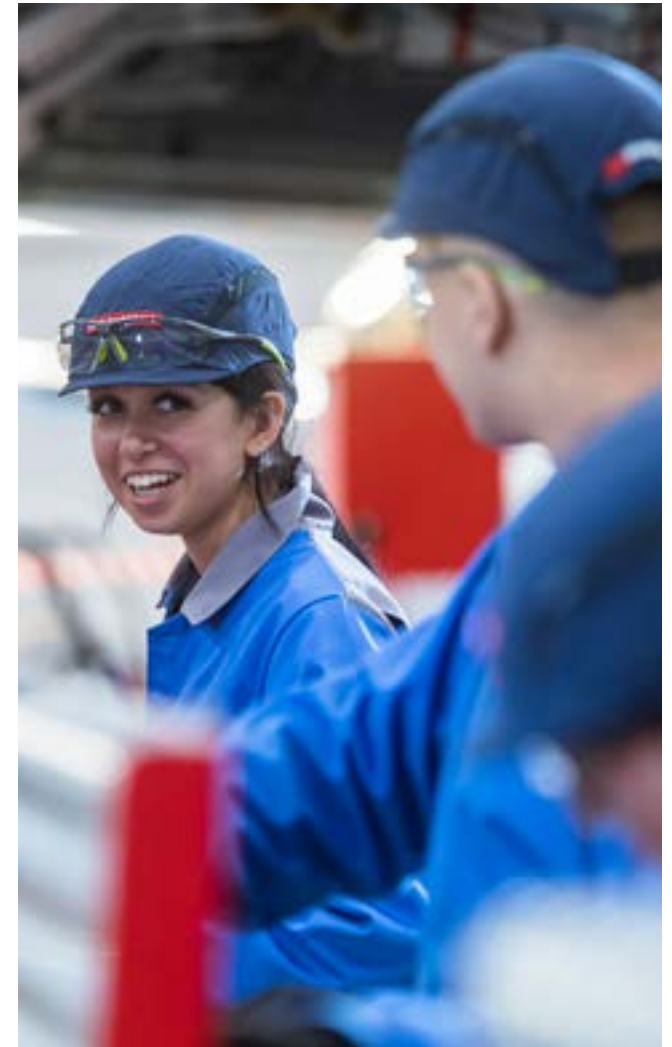
Due to the nature of the industry we work in and the customers we support, all potential employees and contingent workers for our UK businesses are required to go through a pre-employment vetting process. Subject to local laws in each jurisdiction, individuals are required to be verified for identity, 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 2024, we re-ran our debt bondage focused due diligence for key labour providers to our UK businesses. The questionnaire used for the 2023 assessment was reviewed, updated and approved by the Modern Slavery Working Group before being issued to our key agency suppliers (via our Shared Services organisation). Specific areas of focus included the imposition of recruitment fees, retention of identity documents and correct and fair payment of wages. The 2024 assessment identified no significant areas of concern across the sample, however, assessment will continue to be conducted on an annual basis.

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). These assessments focus 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 US Department of Labor's 2024 List of Goods Produced by Child or Forced Labour which is produced in accordance with the Trafficking Victims Protection Reauthorization Act (TVPRA).

During 2024, in the UK, we continued to conduct twice yearly risk assessment activities against our active supply base locations and product categories. Where suppliers are identified as potentially higher risk for the purposes of modern slavery, the relevant areas of business are advised and requested to provide a statement against actual risk and, where relevant, mitigation activities. Our assessment of goods and services, that may be higher risk for the purpose of modern slavery, was based on the US Department of Labor's 2022 List of Goods Produced by Child Labor or Forced Labor and the general supplier categories in our procurement system.

The tier 1 supplier risk assessment activity is conducted twice yearly in accordance with the high level steps outlined below:

- > Initial long list of suppliers extracted from procurement systems (based on spend and commitment over a designated recent past and future window)
- > Country location (as designated in the system) of each supplier reviewed against list of countries on current TVPRA List (latest list extracted from the US Department of Labor Website);
- > Shortlist of suppliers with matching country types extracted (non-matching country suppliers designated as low risk);
- > Supplier name, commodity description or category type (as designated in system) reviewed against the specific country

related high risk goods types listed on TVPRA for evidence of an association;

- > Recent spend/future commitment context assessed alongside these suppliers; and
- > Potential risk level and rationale captured for each supplier;
 - > Very low – no apparent link to a related goods type – no action;
 - > Low – tenuous potential relationship but limited information – action to mitigate these via ongoing awareness delivery through the population;
 - > Medium – possible relationship to a goods type – action to advise relevant business areas;
 - > Higher – possible association with a goods type – action to advise relevant business area, seek confirmation of **actual** risk and any related mitigation.

Note that this process serves to identify potential and not actual risk within the identified suppliers. Assessment is caveated on availability and accuracy of data within the system at time of extraction.

We also continued supply chain assurance activity to assess the adoption of our Supplier Principles. This activity supports us in identifying and mitigating risks across our supply chain. Our assessments covered 34% of global spend. Our supplier principles assurance assessment activity is undertaken in accordance with the high level steps outlined below:

- > Assurance results from previous year are re-reviewed and any ongoing risks and mitigations identified;
- > Spend data gathered, cleansed and consolidated from the procurement system to determine scope of suppliers;
- > Sample group of suppliers identified (with consolidated global spend % calculated), cross checked to existing compliance information systems and/or issued to relevant sector lead for review; and
- > Supplier Principles-aligned data is gathered from information systems/suppliers and reviewed for evidence of potential risk exposure responses.

Engagement and awareness

During 2024, we continued to communicate and raise awareness of our Supplier Principles. Over and above the expected operational supplier engagements, we utilised a number of mechanisms to maintain visibility, raise awareness and share practices related to both our Supplier Principles and modern slavery. During 2024 we:

- > Conducted a supplier webinar aimed at communicating and sharing our supply chain social value themes, including the importance of modern slavery mitigation within the supply chain;
- > Launched our UK Supplier SME web pages. These are aimed at providing a simpler access point for current (and prospective) suppliers to relevant information about working with BAE Systems. This includes information around our SME Framework, our current areas of interest and our high level fit for business requirements, including those related to safe and ethical business conduct (including easy links to our Supplier Principles and UK Standard Conditions of Purchase);
- > Updated and re-issued our supply chain brochure aimed at sharing some of our approaches to managing and mitigating modern slavery within the supply chain. This was made visible to current and prospective suppliers via direct emails as well as on our externally facing supplier practice sharing web page (part of our suite of UK SME web pages).

The above activities reference the importance of the Supplier Principles – Guidance for Responsible Business as a fundamental underpinning document, as well as the availability of the BAE Systems Ethics Helpline as a mechanism for raising concerns in confidence (anonymously, if necessary). We will continue to look at opportunities to build on these engagements through 2025.

Risk related to human rights and modern slavery

We also continued to engage our UK supply chain function 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. Within this awareness, we highlight resources available and promote our Ethics Helpline as a way to seek advice and report concerns. To support our procurement employees in identifying and managing modern slavery risks, we identified individuals across our procurement teams to receive our mandated modern slavery awareness training. This included individuals selected that procure goods and/or services from a category that could potentially be recognised as higher exposure 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 US Department of Labor's 2022 List of Goods Produced by Child Labor or Forced Labor and the general supplier categories in our procurement system.

During 2024, over 700 individuals received modern slavery awareness training. Overall, with our awareness refresher training scheduled every two years, we have maintained awareness of over 1300 employees, representing more than 80% of our targeted population. During 2025, we will continue to build on the deployment of awareness to ensure that relevant employees are made, and remain, aware of modern slavery. This will be delivered through both initial (e.g. for new starters) and refresher training for existing employees.

Third party engagement

BAE Systems engage with and utilise a number of third party organisations and resources in relation to supply chain practices. These serve to support our information and intelligence gathering; the communication and measurement of some of our ethical standards and expectations; and provide support into the supplier community in better understanding and addressing business performance, including aspects related to modern slavery.

Examples of third party organisations we engaged with during 2024 are as follows:

> Hellios Information Ltd

As a founder member of the Joint Supply Chain Accreditation Register (JOSCAR), we have partnered with Hellios Information Ltd for over 10 years. We take a leading involvement in the buyer community and currently chair both the JOSCAR Governance and ESG Working Groups. In these roles, we have played a prominent role in the ongoing development of the JOSCAR toolset, including the annual question set updates and, during 2024, the final development and launch of the innovative JOSCAR ESG Analysis Scorecard.

> Third Party Denied Party Screening

As part of our on boarding and due diligence processes, BAE Systems utilises adverse media and denied party screening information/alerts.

> US Department of Labor

BAE Systems utilises information provided through the US Department of Labor to support the tier 1 supplier risk assessment activity.

We also engage with peer organisations within our sector in order to share practice and benchmark our performance.

Benchmarking our programme

During 2023, we benchmarked, at a strategic level, our UK modern slavery practices against external practice.

During 2024, we advanced this through conducting a more operational-level benchmark against a selected number of peer prime organisations within the defence sector. This exercise involved reviewing publicly available information, UK Modern Slavery Act Statement content, and JOSCAR key question responses, against our own information. The output of this benchmark identified no significant gaps and a number of observations that will support our own ongoing improvement activities.

Standard terms and conditions

To further mitigate risk across our supply chain, in the UK we include provisions in our Standard Conditions of Purchase on modern slavery and the Real Living Wage. We have recently reviewed our Standard Conditions of Purchase, resulting in amendments to further refine BAE Systems' expectations in relation to modern slavery, including ensuring suppliers make workers aware of how they can report grievances.

Risk related to human rights and modern slavery

Procurement Governance

During 2023, we updated our functional procurement guidance, starting with our Global Procurement Policy in order to embed responsible business practices within the procurement governance system. We revised the policy to include relevant considerations, including, where applicable and relevant to the market they operate in, engaging suppliers on our ambitions and Supplier Principles, including environmental, social and governance considerations across our procurement lifecycle and undertaking supplier assurance activities, using our Supplier Principles as the framework. This policy change went live at the beginning of 2024 and will remain in effect through 2025.

Through 2024, we continued to reference our Supply Chain Shop Window (see page 18) which builds on our policy statement by defining our specific areas of focus, including that related to modern slavery. The Shop Window continues to support cross business alignment and collaboration and enable structured communications with our suppliers. The Shop Window has also served as a framework in the development of our further guidance. We will continue to maintain and communicate the Shop Window through 2025.

In addition, during 2024, we continued to update business guidance, including the assessment and management in respect of modern slavery risk. Using the Supply Chain ESG Shop Window as a framework, we have reviewed and completely refreshed our Lifecycle Management Sustainable Procurement Handbook. This document (now the Supply Chain Sustainability Handbook) aims to provide guidance on the inclusion of a range of business considerations within the following phases of the procurement lifecycle:

- > The outline and definition stages of Procurement Strategy development;
- > Sourcing and negotiation;
- > Approval and placement of orders;
- > Launching supplier relationships;
- > Management of suppliers; and
- > Contract closure.

UK Fair Payment Code

We are committed to paying our suppliers promptly and in accordance with agreed terms, and we were a signatory to the UK Prompt Payment Code. The Prompt Payment Code ceased in December 2024, in readiness for the transition period to the Fair Payment Code. We will be applying to the UK Fair Payment Code in line with the UK Government's timetable. The Fair Payment Code requires a commitment to the principles of being clear, fair and collaborative with suppliers and ensuring that we pay invoices on time is a key focus for our UK businesses.

We are committed to paying our suppliers promptly and in accordance with agreed terms, and we were a signatory to the UK Prompt Payment Code.

Through 2024, we continued to reference our Supply Chain Shop Window (see page 18) which builds on our policy statement by defining our specific areas of focus, including that related to modern slavery.



Supply chain sustainability framework - partnering with purpose



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 and can be certified to. 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 participating 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 Fair Payment Code – The Fair Payment Code replaces the UK Prompt Payment Code, which ceased in December 2024. It 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 launched in December 2024 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.