

Supplier Principles 2024

Guidance for Responsible Business



Introduction

Creating a successful and sustainable business requires more than financial results. Responsible behaviour is fundamental to how we do business at BAE Systems. It is not just what we do; it is how we do it. We are committed to achieving these high ethical standards, which underpin our role as a trusted partner to our customers, by managing operations responsibly and conducting business in an ethical way. BAE Systems' relationships with its suppliers are a critical part of this commitment.

To clarify what we expect from our suppliers and their supply chains, we have developed these Supplier Principles – Guidance for Responsible Business. These Principles outline a set of 'best practice' expectations. They are not intended to conflict with or modify the terms of supplier contracts with BAE Systems. If a contract, legal or regulatory requirement addresses the same areas as covered in these Principles, suppliers must comply with those requirements. Responsible behaviour is vitally important to the reputation and success of BAE Systems. Our suppliers are an important part of that effort.



Charles Woodburn
Group CEO

Workplace/Employees



Human Rights

We expect our suppliers to uphold and protect human rights by treating their own employees with respect, promoting fair employment practices, providing fair and competitive wages and prohibiting harassment, bullying, discrimination, retaliation, modern slavery and human trafficking.

Our suppliers are expected to undertake appropriate due diligence to identify such human rights risks, supported by systems and processes to minimize the risk of such abuses occurring.

Modern Slavery including Human Trafficking, Forced, or Indentured Labour and Child Labour

We expect that our suppliers shall not engage in any form of modern slavery, including human trafficking, forced, bonded or indentured labour. All work should be voluntary on the part of the employee. Suppliers should allow employees to freely choose to work or to leave employment. Our suppliers are expected to provide all employees with a written contract or offer letter (depending on the jurisdiction of employment) in their local language clearly indicating their rights and responsibilities with regard to wages, working hours, benefits and other working and employment conditions and where legally required, register that contract.

We also expect our suppliers to ensure that child labour is not used in the performance of work. The term 'child' refers to any person under the minimum legal age for employment where the work is performed, and/or the minimum working age as defined by the International Labour Organization (ILO), whichever is higher.

Diversity and Inclusion

BAE Systems expects our suppliers to foster a diverse and inclusive work environment where every employee, customer, supplier and partner is treated with dignity, respect and fairness. Our suppliers are expected to provide equal employment opportunities without discrimination and to comply with all applicable non-discrimination laws and regulations.



Wage, Benefits, and Working Hours

We expect our suppliers to provide workers at least the minimum compensation and insurance required by local law and provide all applicable legally mandated benefits. Suppliers are also expected to provide employees with regulated hours of work, daily and weekly rest periods, and annual leave in accordance with applicable laws and regulations.

Harassment and Bullying

BAE Systems does not tolerate harassment or bullying. Suppliers are expected to ensure that their employees work in an environment that is free from physical and psychological intimidation and other abusive conduct or harassment of any kind.

Health and Safety

We expect suppliers to establish an appropriate safety management plan including policies aimed at eliminating fatalities, work-related injuries, health impairment, limiting exposure to safety hazards, and protecting the health, safety, and welfare of employees, contractors, visitors and others who may be affected by their activities.

Help and Guidance

Our suppliers are expected to provide employees and third parties with access to adequate reporting channels to seek advice or raise legal or ethical concerns without fear of retaliation, including opportunities for anonymous reporting.



Business Practices



Code of Conduct and Compliance

BAE Systems' Code of Conduct is central to our responsible business environment. We expect our suppliers to implement and adhere to their own similar written code of conduct. In addition, commensurate with the size and nature of their business, we expect our suppliers to have management systems in place to support compliance with all applicable laws and regulations.

Anti-Corruption

We expect our suppliers to comply with all relevant laws and regulations regarding anti-corruption including, where applicable, the Foreign Corrupt Practices Act and the UK Bribery Act or equivalent standards. BAE Systems does not tolerate bribery or corruption in any form. Suppliers must not offer, give, accept or receive any payment, benefit or gift that may be construed as a bribe, kickback, or other improper payment, gift or benefit, for any business purpose whether directly or through a third party. Suppliers are expected to undertake reasonable due diligence to prevent and detect bribery and corruption in all of their business arrangements. BAE Systems expects our suppliers to have appropriate and adequate procedures to prevent such activity from taking place.

Facilitation Payments

BAE Systems does not make facilitation payments and expects that our suppliers will not directly or indirectly make facilitation payments on our behalf. The concept of a facilitation payment does not include fees required to be paid by law such as the payment of a filing fee for a legal document, nor does it include lawful expediting payments that are covered by an official, published fee schedule and for which a receipt is provided.

Gifts and Hospitality

We expect our suppliers to ensure that the offer, provision, request for or receipt of any gift or hospitality is as permitted by law and regulation, does not violate the rules and standards of the donor and recipient's organisation, and is consistent with all reasonable market terms and conditions. Gifts and hospitalities must never be in cash or cash equivalents, and suppliers should have in place and adhere to a gifts and hospitality policy.



Anti-Trust and Competition

We expect our suppliers to conduct business in accordance with all applicable competition and anti-trust laws and regulations. We expect that our suppliers will not enter into formal or informal anti-competitive arrangements, whether to fix prices, rig bids, limit supply, allocate/control markets, or otherwise improperly restrict competition.

Management of Risk

Suppliers are encouraged to proactively manage and mitigate risk in their supply chain and where appropriate to report risk back to BAE Systems to ensure that those risks are appropriately mitigated.

Accurate Record Keeping

We expect our suppliers to accurately and securely create, capture, store, and retain, as appropriate, business records.

Timely Payment

BAE Systems expects our suppliers to pay their suppliers on time in accordance with agreed contractual payment terms.

Proper Payment of Taxes

We expect our suppliers to properly and accurately record all financial aspects of their work, to represent themselves accurately to all relevant tax authorities and ensure appropriate processes are in place to prevent the facilitation of tax evasion by employees and other persons performing services on behalf of our suppliers.

Conflicts of Interest

We expect our suppliers to identify and avoid actual, potential, or perceived conflicts of interest in their dealings with BAE Systems. We understand that such actual or potential conflicts do arise in the course of business from time to time, in which case we expect our suppliers to disclose them to BAE Systems and all other affected parties in a timely fashion.

Trade Controls and Sanction

Our suppliers are expected to conduct business in compliance with all applicable laws and regulations governing export, re-export, transfer and import of controlled hardware, technical data, software and services.

We expect our suppliers to screen third parties with whom they do business and to be fully compliant with all relevant financial sanctions, trade embargoes and other restrictive measures imposed by any applicable government authority.

Product Quality

BAE Systems expects our suppliers to support BAE Systems' commitment to continuous improvement and to creating a zero defect culture by manufacturing high-quality, reliable products on time and at an affordable price.

Counterfeit Goods

We expect our suppliers to develop, implement and maintain methods and processes appropriate to their products to prevent counterfeit parts and materials being delivered. Effective processes should be in place to detect, report and quarantine counterfeit parts and materials and prevent such parts from re-entering the supply chain.

BAE Systems expects our suppliers to only use parts from Original Equipment or Component Manufacturers or their authorised sources, and to comply with applicable laws, regulations, and industry 'best practice' protocols when conducting business with BAE Systems.

We expect suppliers to inform us immediately if counterfeit parts and/or materials are detected or suspected.

Information Security

BAE Systems expects its suppliers to develop, implement and maintain appropriate security measures to protect the information (including confidential, proprietary, personal export controlled, government security classified and controlled unclassified information) that they create, collect, handle, store or are responsible for, in accordance with applicable laws, regulations and contractual requirements, regardless of whether such information belongs to the supplier, BAE Systems and/or its customers. We expect our suppliers to address any security issues proactively and to notify and support BAE Systems in responding to and remedying any security breaches.

Intellectual Property

We expect our suppliers to comply with all applicable laws and regulations governing intellectual property, as well as all contractual obligations.



Sustainability



Sustainability is a key focus for BAE Systems and all of our stakeholders to mitigate the significant and lasting impacts of climate change on economic growth and prosperity. Our supply chain sustainability agenda incorporates the following priorities:

Environment

Our target is to achieve net zero greenhouse gas emissions across our operations by 2030 and to work towards achieving net zero greenhouse gas emissions across our value chain by 2050. BAE Systems expects and encourages all our suppliers to measure, manage, and, wherever practicable, reduce their greenhouse gas emissions.

Our suppliers are also expected to comply with applicable laws and regulations regarding the environment and to conduct their business in a manner that actively manages environmental risks.

Social Impact

We want to make a positive social and economic contribution to the communities in which we live and work by contributing to activities and organisations that align with our business and having a diverse Supply Chain. We expect our suppliers to support these efforts.

Governance

Our success depends on us being trusted by all our stakeholders to uphold high standards of governance and business conduct. We expect our Suppliers to implement and adhere to their own similar written code of conduct.

Controversial Materials and Conflict Minerals

We expect our suppliers to provide products made from materials, including constituent minerals that are sourced responsibly, including appropriate due diligence, 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 sustainability agenda contributes to the following UN Sustainable Development Goals:



Quality education

We work closely with schools, colleges, training providers and universities as well as engineering and business organisations in our principal markets to promote and inspire people to pursue careers in Science, Technology, Engineering and Maths.

We create employment opportunities across our organisation via our apprentice, graduate, career development and recruitment programmes to help increase youth and adult employment.

We will continue to support and encourage our employees to develop their skills to engage in lifelong learning via our training and development programmes.



Decent work and economic growth

We contribute to economic productivity by investing in people, skills and innovation throughout our value chain. This investment is strengthened by our commitment to continue to create a diverse and inclusive work environment, underpinned by safe work practices promoting employee wellbeing, maintaining robust governance systems and efficiently using natural resources.



Industry, innovation and infrastructure

We structure our R&D activities around our business and product strategy, ensuring a clear focus for our R&D spend. We also continuously scan the horizon for new technologies and developments in defence technology around the world.

As well as partnering with our customers, we work with other companies and academia to invest in technologies and assets that complement our existing capabilities and our future product development.



Responsible consumption and production

We are committed to reducing the environmental impact of our operations and value chain by actively managing the energy and resources that we use.

Our products are built to be in active service for decades and we work with our customers and suppliers to develop innovative technology that is designed to reduce the environmental impacts of such products.



Climate action

We are targeting the achievement of net zero greenhouse gas emissions across our operations (Scope 1 and 2) by 2030 by reducing our emissions as a minimum in line with the 1.5°C pathway, and working towards a net zero value chain by 2050.

We will collaborate with our suppliers and customers, and partner with researchers and technologists to innovate for a net zero future.



Peace, justice and strong institutions

We play a significant role in protecting nations and keeping people safe. Our products and services enable governments to defend the lives and freedoms of people around the world, support international stability, and keep people safe, both at home and overseas. Our technologies and people also support policing and law enforcement. Our success depends on us being trusted to uphold high standards of governance and business conduct and we have an unwavering commitment to ethics and responsible behaviour, from anti-bribery to anti-corruption.

Our programmes influence these Sustainable Development Goals:



Contacts

We expect our suppliers to report any concerns with these Principles to the BAE Systems Ethics Helpline

www.safecall.co.uk/baepic or **ethics.helpline@baesystems.com**

or by telephone at the appropriate number below:

Australia 1 800 803732

Belgium 00800 72332255

Canada 1877 59 98073

Ireland 1800 812740

India 000800 440 1256

Japan 0120 921067

Kuwait +44 191 516 7756

Kingdom of Saudi Arabia 8008443328

Malaysia 1800 220054

Oman 800 72323

Poland 00800 72332255

Qatar 8000 250

Singapore 800 4481773

Turkey 00800 4488 20729

UAE 8000 4413376

United Kingdom 0800 0126930

United States 1 866 901 3295

Suppliers to BAE Systems, Inc. businesses may also contact the Ethics Helpline at:

www.ethicshelpline.us.baesystems.com

ethics.inchelpline@baesystems.com

or by telephone at the appropriate number below:

Israel 1 809 457 229

Mexico 800 099 0644

Sweden 020 88 98 97

United Kingdom 0800 014 8140

United States 888 374 0123

For more information:

BAE Systems plc
6 Carlton Gardens
London SW1Y 5AD
United Kingdom

T: +44(0) 1252 373232
W: www.baesystems.com