

■ Factsheet – Offset

What is an Offset arrangement?

Offset arrangements are agreements made with export customers designed to generate work, or to create capability or economic value, in that customer's country. Currently around 80 countries operate offset regulations and these are often an important element of the evaluation process for defence contracts.

There are typically two types of offset:

- Related offset that relates to our products and services
- Unrelated offset that may be unrelated to defence. This can include investments, economic or social projects, schools or infrastructure.

Offset can also be referred to as industrial participation, international partnerships or industrial collaboration.

Does BAE Systems use Offset arrangements?

We have offset arrangements in a number of countries and through these programmes we seek to support customers' economic and development goals, and deliver long-term sustainable benefits.

What is your policy on Offset arrangements?

All offset arrangements are governed by our Operational Framework (including our Offset Policy) and Code of Conduct.

Our Offset Policy sets out the principles we apply to all our offset activities. The underlying principles applicable to all of our offset activities are that:

- they are undertaken in accordance with our Code of Conduct
- they have clear line management ownership and executive oversight
- they are consistent with the customer's offset policies and proportionate to the value of related contracts
- financial and non-financial risks are clearly assessed and mitigated.

Our Code of Conduct clearly states that when we are bidding for or negotiating a contract we will ensure offset arrangements are consistent with our Offset Policy and comply with all export control laws and regulations.

Do you use external advisers to arrange Offset?

We sometimes use external consultants to advise us about the local business environment, assist in discussions with government officials or support offset matters. All advisers are governed by our Adviser Policy. Find out more in our factsheet on advisers.

How do you ensure your Offset commitments are met?

Our businesses have resources to plan, negotiate and deliver offset. They are supported by a central Group Business Development team with related expertise in areas such as: investment planning, government liaison and education programmes.

The Group Business Development team is also responsible for developing and embedding our offset policy, process and training materials, as well as overseeing risk management.

Training on both the commercial and the compliance considerations related to offset activity is provided to all relevant employees.

All proposals for offset put forward by our businesses are subject to a rigorous review and approvals process which includes risk-based anti-bribery and corruption due diligence. Offset proposals that are related to BAE Systems product/services must be approved by an internal panel consisting of the Group CEO, General Counsel and the external panel. This is a mandated process which is overseen by the compliance and regulation team in collaboration with the Group Business Development team.

Compliance with the Offset Policy is monitored via our Operational Assurance Statement process and performance against our offset commitments is reported via our Quarterly Business Review process.

Our internal audit function may also audit offset agreements and confirm compliance with internal policy.