

■ Factsheet – Supplier Due Diligence

Why is due diligence on suppliers important?

We have a zero tolerance policy towards corruption and strict requirements for export control compliance. Our due diligence process for major suppliers helps us understand who we are doing business with and assess whether there are any risks of bribery or corruption associated with that party.

What criteria do you use to conduct due diligence on suppliers?

Our screening includes data from media searches, supplier questionnaires, responsible trading characteristics (see below), annual reports and site visits. This also includes a screening for 'denied parties' which means a review of the UK government, US government, United Nations or European Union and other relevant denied party lists which identify companies or individuals that are subject to denial orders or we are otherwise prohibited from dealing with and is also used as part of our Export Control Procedures.

We then assess risk through a series of questions designed to raise any potential red flags in relation to corruption or unethical behaviour which includes looking at any political connections of a supplier and any unusual requests for payment.

How frequently do you conduct due diligence?

Once a supplier has been approved and the contract has been signed, we conduct further due diligence every 12 months as a minimum or where there is a significant change in our relationship with the supplier.

How do you assess suppliers for responsible trading risks?

We have established a set of Responsible Trading Characteristics specifically for Procurement, building on our Responsible Trading Principles for the Company as a whole. To help us assess supplier risk against these characteristics, we ask six key questions:

- Do the major suppliers have a code of conduct or responsible trading policy of a comparable standard to BAE Systems?
- Does the product or service being procured create a significant lasting adverse environmental or health impact over and above that reasonably necessary in its manufacture, storage, deployment, use or disposal?
- Does the product or service being procured conform to BAE Systems Product Safety Policy?
- What export controls apply to the product or service being procured, and are the appropriate clearances or licences in place or planned?
- Is it likely that the production of this product or service will violate civil liberties or human rights?
- Is the product being procured likely to be controlled or prohibited by legislation in the foreseeable future?