

## ■ Factsheet – Lobbying and Political Activity

### **Do you engage in lobbying and political activity?**

We engage with governments and policy makers in all our markets to communicate with and inform them on matters relating to our business and the defence industry. We do so either directly or through trade associations such as Aerospace, Defence and Security in the UK and the US Aerospace Industries Association. Most of our lobbying activity takes place in the UK and the US.

### **Why is lobbying an issue?**

Some stakeholders are concerned that big businesses may exert undue influence over governments and decision-makers. To address this concern, we are committed to be open about our lobbying activities. We have a clear policy to guide employees involved in lobbying and any external advisers acting on our behalf (see below).

### **What do you lobby governments on?**

We lobby governments and policy makers on issues specifically relevant to our business and the defence and security industry. Through our lobbying activities, we seek to:

- Inform them about our business
- Influence public policy on issues related to our business
- Promote BAE Systems' solutions for national defence and security requirements.

We also seek to influence the development of regulations and legislation that may affect the general business environment, such as taxation, employment law or other policies that might affect our ability to pursue our business objectives.

### **Is lobbying really about selling products?**

In the defence and security industry, acquisition decisions are made by governments, and their agencies, who are the direct customers for our products and services. For this reason, we consider lobbying to include business development activities, which seek to demonstrate why our solution is the right one. This means that our lobbying activities include informing politicians or government officials about our products and services, or advocating solutions to programmes that are important to our customers and end users in the armed forces and other government organisations.

More broadly, we aim to ensure our position is understood in government defence and security reviews, or in consultations about the future of the industry and related matters such as acquisition reform.

### **What is your policy on lobbying activity?**

We do not participate directly in political activities. Nor do we engage in activity that favours one political party or group over another. But we do engage in policy debate on subjects of legitimate concern to us, our employees, customers, end users and the communities in which we operate, including through lobbying.

Our lobbying activity is governed by our Lobbying and Political Support Policy. The policy is underpinned by three guiding principles:

- BAE Systems engages in lobbying activities in the countries in which it operates in order to communicate with, and inform, legislators and government decision makers on matters relating to our business

- Anyone engaged in lobbying activities on behalf of BAE Systems conducts themselves in a way that conforms with our standards of responsible business conduct
- BAE Systems does not make corporate contributions or donations to political parties.

### **Who does your lobbying for you?**

Most of our lobbying activity is carried out by BAE Systems employees, but we also employ third parties to lobby on our behalf in both our domestic and export markets. The appointment of these third party advisers is governed by our Advisers Policy (see advisers factsheet), with the exception of certain domestic lobbyists in the US whose appointment is subject to separate legislative controls.

### **How do you govern these activities?**

Anyone interacting with governments on behalf of BAE Systems – from within or outside the company - must comply with our Lobbying, political donations and other political activity policy. This means they must:

- Act with honesty and integrity
- Know and comply with all relevant legal and regulatory requirements
- Behave in accordance with our Code of Conduct and comply with all relevant internal policies
- Consult with management before any contact is made with government officials or employees
- Ensure the information they provide in their lobbying activities is factually correct and fairly represented.

As part of our Operational Framework, line leaders are responsible for ensuring that anyone engaged in lobbying activities is briefed on and complies with the Code of Conduct.

### **Do you have board-level oversight of lobbying activities?**

Each of our markets must submit a report on lobbying activity to our Head of Government Relations every year. In the US, we are required to submit a quarterly report on lobbying to Congress.

The Head of Government Relations draws on these local reports to present an annual report on lobbying activity to the Corporate Responsibility Committee of the Board. This includes:

- A list of countries where lobbying has taken place
- Which bodies were lobbied
- Which issues we lobbied them on
- Who undertook lobbying activities (employees or external advisers)
- The cost of lobbying activities.

The report also provides an update on the activities of the BAE Systems USA Political Action Committee (see below).

### **Do you make political donations?**

We do not make corporate contributions or donations to political parties or their representatives. Company funds and resources may not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations; and we will not use charitable donations as a substitute for political payments. This is clearly stated in our Code of Conduct. In the US, the BAE Systems USA Political Action Committee (PAC) enables employees to make bipartisan contributions to candidates for Congressional seats and to party organisations that support Congressional races. Eligible employees can voluntarily choose

to contribute to the PAC, which is managed in compliance with the requirements of the Federal Election Commission.

**Do you report publicly on your lobbying activities?**

We are committed to be open about our lobbying activities. This means we put information into the public domain about our policy, and what we expect of those lobbying on the company's behalf.