

BAE Systems
Human Rights Statement 2022

At BAE Systems we serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led.

We supply defence equipment, electronics and services, as well as cyber, intelligence and security solutions for our customers so they can maintain a competitive edge across the air, maritime, land and cyber domains.

We employ a skilled workforce of 90,500 people in more than 40 countries, and work closely with local partners to support economic development by transferring knowledge, skills and technology.

Our approach to human rights

We are committed to respecting and upholding human rights wherever we operate, in respect of activities under the full, direct control of the Company.

This applies equally to our employees, our suppliers and business partners, all of whom are expected to adopt the same or similarly high standards of ethical behaviour.

We are committed to conducting business responsibly and to 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, the environment, as well as our workplace, supply chain, local communities and products.

Our Code of Conduct and other global policies and processes mandated under the Operational Framework, together with our supporting principles and guidance on responsible trading and suppliers, support our commitment to human rights and are regularly reviewed.

Our approach to human rights constitutes:

- maintaining high ethical standards and acting in a socially responsible manner complying 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 Company
- respecting the labour rights and workplace rights of our employees in accordance with national laws
- responsible product development
- appointing and working with suppliers and business partners who are expected to adopt similarly high standards of ethical behaviour and business conduct, consistent with our own, in accordance with applicable national laws.

Our approach to identifying and assessing human rights risks is embedded within our approach to risk management (see page 104 of our 2021 Annual Report).

Human rights considerations

The following human rights considerations have been identified as part of stakeholder engagement and are being addressed by ongoing programmes across our business.

Human rights in the workplace

We value the diversity of the people we employ and the contributions they make. We have a long-standing commitment to equal opportunity and the intolerance of discrimination and harassment. We are committed to maintaining workplaces that are free from discrimination and harassment on the basis of any protected characteristic.

We do not tolerate harassment, including verbal, non-verbal, physical or online. Abusive, offensive, humiliating or intimidating behaviour is never acceptable.

We maintain processes 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 form of employee identification (passports or work permits) and we do not destroy or deny access to such documentation, as a condition of employment unless required by applicable law.

Due to the nature of the industry we work in and the customers we support, all potential employees and contingent workers go through a pre-employment vetting process. Subject to local laws in each jurisdiction, individuals are 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, outlined below. 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.

Our employees have the right to resign at any time and leave employment after meeting any conditions of contract and notice period.

We compensate employees competitively relative to the industry and local labour market, reflecting their individual responsibilities and contribution to business performance. We operate in compliance with applicable pay and benefits, work hours, holiday, overtime and benefit laws.

We have a range of policies in place to support employees in achieving balance between their work commitments and personal priorities including Maternity, Paternity, Adoption and Shared Parental Leave policies, agile and flexible working practices and career breaks.

We prohibit the use of all forms of modern slavery and human trafficking, forced, bonded or indentured labour.

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, 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.

Where it is legal to do so, we respect employees' right to join or form a labour union without fear of reprisal, intimidation or harassment. Where employees are members of and represented by a legally recognised union, we are committed to establishing a constructive dialogue with those representatives.

We actively encourage and support the development of Employee Resource Groups (ERGs) to foster a diverse and inclusive workforce. Our ERGs include: OutLink in the UK and US for our LGBTQ+ community; Enabled Disability Network in the UK and ABLE disability Network in Saudi Arabia and the US; women's networks in Australia, Saudi Arabia, the UK and the US; our Veteran's Support Networks in the UK and US; GEN our gender support network in the UK; GENerations Working Together in the US; Mindset our employee wellbeing network in the UK; Hispanic Organisation for Leadership Advancement network in the US; African Americans Committed to Excellence in the US and Asia Pacific Islanders Reaching Excellence in the US.

Our people work in often challenging environments and on some of the most complex engineering projects. These have associated health and safety risks which we work hard to fully identify and

mitigate. These can include specific hazards and common hazards across all sites such as slips, trips and falls.

We strive for world-class safety conditions and performance. Our management focus on this objective is necessarily strong and tailored towards achieving a world-class safety standard that is embedded in our Safety Policy. We have a number of programmes focused on the health, safety and wellbeing of our employees. We recognise the importance of creating a working environment which contributes to employee physical and mental wellbeing. It is our collective focus on employee wellbeing and the health and safety of employees and those who work on, or visit, our sites that's a contributory factor to the success of our organisation. We have a range of programmes focused on this. We also ensure employees exposed to identified or known hazards have the protective equipment they need and we continually monitor our operations to ensure the working environment is as safe as possible.

Our Code of Conduct and training actively encourages all employees to speak up if they have a concern or talk to someone if they need guidance. We recommend employees talk to a colleague, their manager, HR or a Legal contact. We also actively promote our Ethics Officers and Helpline across our business.

Employees also have the opportunity to raise problems and concerns about their work, working environment, or working relationships. For example, in the UK this can be done via our Grievance Process.

We keep employees informed and engaged in our priorities and progress through a variety of channels including our employee app, intranet, email, podcasts, newsletters, leadership blogs and briefings and through our line managers who help connect everyone's daily work to our overarching mission. Employees are encouraged to share their views through our channels and surveys.

Human rights and anti-corruption

We do not tolerate bribery and corruption in any form.

Our anti-corruption programme guides and supports our employees in making responsible decisions. It also helps employees understand what is expected of them and creates an environment in which employees feel they can ask questions and raise issues and concerns.

Our anti-corruption programme is embedded in the Company's governance framework. Our approach to governance outlines a set of operational standards that apply no matter where we operate. Our programme is embedded through our key global policies and processes including thorough due diligence programmes.

Human rights and environment

Our goal is to develop and implement a long-term strategy that reduces the impact of our activities, supply chain and products on the environment, whilst progressing our ambition of net zero greenhouse gas emissions across our operations (scope 1 and 2) by 2030 and working towards a net zero value chain by 2050. We aim to improve energy efficiency, introduce cleaner technologies, collaborate across our value chain, and mitigate climate related risk, both physical and transitional.

Human rights in our supply chain

To clarify what we expect from our business partners, suppliers and their supply chains, we have developed Supplier Principles – Guidance for Responsible Business. The Principles define the behaviour we expect from our suppliers and what they can expect from us. They also specify compliance with all relevant laws and set out our expectations with regards to respect for labour rights, including protection against modern slavery and human trafficking. During 2022 we will be revising our Supplier Principles to include clearer expectations regarding human rights and modern slavery.

Our procurement teams are responsible for communicating the Principles to our suppliers and incorporate the Principles into supplier due diligence and on-going management, including conducting on-going risk assessments. For example, due diligence being carried out during the supplier evaluation stage against non-financial risks, including human rights, working hours, harassment and unlawful discrimination, anti-whistleblowing, slavery, human trafficking and child labour.

Once a supplier has been approved and the contract has been signed, we conduct further risk based due diligence as a minimum or where there is a significant change in our relationship with the supplier. Ongoing assessments include testing suppliers on the adoption of our principles.

Risk based due diligence is undertaken in respect of all third parties with which the Company engages, whether supplier, adviser, potential joint venture partner, acquisition target or other third party.

Human rights in our local communities

Our safety and environment policies and processes help limit the impact of our operations on local communities around our sites.

It is important to us and our employees that we have a strong and positive presence in our communities and that we help those in the community who can best benefit from the help that we can offer; we like to work on issues which affect our industry, with examples including: supporting young people to consider studying science, technology, engineering and maths (STEM) subjects as well as supporting past and present armed forces personnel. We also work to support the communities in which we operate.

We collaborate with organisations that can demonstrate a positive impact and encourage our employees to volunteer in support of their work. These include not-for profit organisations and education providers.

Human rights and our products

We understand that some of our stakeholders have views and perceptions of defence companies and human rights, particularly in the area of exports and how our products are used. We engage with organisations who have a focus on business or defence or security issues to understand factors that can impact our business and how we operate.

We operate in many jurisdictions, in a sector in which our business operations, including export of our products, is very highly regulated.

Our products protect people and national security, and keep critical information and infrastructure secure.

The majority of our customers are governments or other large defence prime contractors selling to such governments. In the UK, defence equipment is purchased by the UK Ministry of Defence; in other countries we may sell directly to branches of the armed forces of that particular country. Our non-military products and services - such as electronics, cyber protection services, and maintenance and support contracts – are sold to both businesses and governments.

The defence industry is subject to strict regulatory controls. We also maintain stringent internal controls that govern what we sell and to whom we sell. Our Product Trading Policy and Responsible Trading Principles help us make informed decisions about the business opportunities we pursue based on our values.

Export of controlled goods must be authorised by governments before a sale can proceed. Failure to comply with all relevant laws and regulations could result in serious penalties for BAE Systems and the individuals concerned, and could harm national security and foreign policy interests. Our system for compliance with export controls is designed to ensure compliance, as well as detect and provide

timely responses to actual or suspected violations, including prompt investigations and appropriate remedial actions.

Our products operate in hostile environments and, given their scale and complexity, have to be robust and designed for maximum utility. We therefore work closely with our customers to enhance the lifetime of products, maximise the recycling potential and identify environmentally sound means of disposal. We are constantly looking at ways to maximise the potential for reuse and remanufacture of our products and associated manufacturing processes.

Our Product Safety Management Systems reduce the risk of unintentional harm to people, property and the environment. We continually work to improve safety standards, by raising awareness of our employees' roles in identifying, managing and reducing safety risks.

We do not manufacture or sell cluster munitions or anti-personnel mines banned under the terms of the Convention on Cluster Munitions (Oslo Convention) or the Ottawa Convention. We do not manufacture white phosphorous.

Governance and policies relating to human rights

- ❖ [UK Modern Slavery Act Response 2022](#)
- ❖ [California Transparency in Supply Chain Act](#)
- ❖ [Australian Modern Slaver Act Response](#)

The Board has overall accountability for the broad range of subjects that make up human rights – safety, ethics, responsible business conduct, diversity and inclusion, stakeholder and employee engagement and supplier conduct – areas which are part of our sustainability agenda. The Environmental, Social and Governance (ESG) Committee of our Board is dedicated to the oversight of the Company's performance in sustainability, including our approach to human rights across these areas. If risks were identified within the internal operation of our businesses contrary to the above, we would seek to address these as quickly as possible.

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

Our commitment and approach to human rights is embedded across global policies and processes in our Operational Framework and our Code of Conduct. Our Code is translated into Arabic, Czech, Hebrew, Slovak, Spanish, Swedish and UK/US English and is embedded across the business via face to face 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
- Upholding elimination of all forms of forced and compulsory labour and effective abolition of child labour
- Upholding elimination of discrimination in respect of employment and occupation
- Supporting a precautionary approach to environmental challenges
- Undertaking initiatives to promote greater environmental responsibility
- Working against corruption in all forms, including extortion and bribery.

For non-controlled JVs, 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. BAE Systems also has the right to audit and review its subsidiary businesses.

Exposure to human rights risk and mitigation

Our approach to identifying and assessing such human rights risk is embedded within our approach to risk management.

The ESG Committee monitors the Company's performance in managing the Company's significant non-financial risks, including (but not limited to) those arising that fall under the scope of human rights. The Committee reports its findings to the Board on a regular basis.

We have assessed 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). Our assessment focused on risks in our directly contracted suppliers. Suppliers who might be deemed as higher risk were identified through analysis of internal data sets and using external regulatory guidance, for example, the 2020 Trafficking Victims Protection Reauthorization Act (TVPRA) list of goods produced by child or forced labour. Our assessment concluded that 0.1% of our global tier 1 suppliers might be deemed as higher risk suppliers based on goods and services provided and location. We are carrying out further due diligence on these suppliers and are seeking to revise our contract terms, where appropriate. Going forwards, we will conduct the supplier analysis on an annual basis.

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 and terminating our relationship with the supplier if appropriate.

Engagement and training on human rights

We provide guidance and training for our employees on areas that fall within the scope of human rights, including but not limited to, health and safety, diversity, environment, ethics and export controls. To support our ongoing identification, assessment and management of modern slavery risks, during 2021 we have scoped training for employees who are responsible for procurement in our UK businesses on human rights and modern slavery. This training will be mandated and rolled out during 2022.

Remedies and grievance mechanisms

Our Code of Conduct and Ethics training actively encourages employees globally to speak up if they have a concern or talk to someone if they need guidance. We recommend employees talk to a colleague, their manager, HR or a Legal contact.

Ethics Officers are in place across our business, which means employees can raise issues or seek guidance in person and in confidence. If employees want to raise issues anonymously they can do so via the Ethics Helpline or online. Our Ethics Helpline is free and open 24 hours a day, seven days a week. Calls are answered in English, but there are qualified interpreters available.

All issues raised, whether for guidance or to report a concern, are assigned to Ethics Officers and logged in a case management tool. If a concern raised or issue reported requires further investigation, the Ethics Officer will interface with the relevant function or department to independently investigate and follow processes outlined in our Investigations Governance process.

Escalation procedures are in place to flag significant cases and if required, to report cases to the Chief Executive and the Board and to external authorities and regulators. All enquiries requiring investigation are reviewed and reported to Ethics Committees.

We support all employees who report apparent misconduct honestly and in good faith and we do not tolerate any retaliation. Any manager or employee found to have retaliated against someone who has raised a concern in good faith will face disciplinary action, which could include dismissal. Non-retaliation is explained in our Code of Conduct.

Employees also have the opportunity to raise problems and concerns about their work, working environment, or working relationships. For example, in the UK this can be done via our Grievance Process.

Our Ethics Helpline is also available for third parties, including suppliers, to raise concerns or discuss issues. 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 company representative for investigation.

Transparency

We respond to a number of external reporting requirements, such as the UK Modern Slavery Act, the Modern Slavery Act of Australia and the California Transparency in Supply Chains Act on our website.