

Our approach to ethics and anti-corruption

Committed to responsible and ethical business conduct



Contents

Please use the contents to the right to find what you're looking for by clicking the appropriate section.





Introduction – Committed to responsible and ethical business conduct

Our success, as a Company, depends on our **employees behaving ethically in everything they do.**

Each employee has a vital role to play in ensuring that we maintain the high standards of ethical conduct that our customers, shareholders, partners and colleagues expect. BAE Systems has a zero tolerance policy regarding corruption in all its forms.

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 programme is embedded through our key global policies and processes including thorough due diligence programmes. The programme receives both internal and external oversight and assurance. We drive improvements in the programme annually to ensure it continues to meet best practice.

The programme also includes our Code of Conduct and training which covers scenarios our employees may face, defines the standards and behaviours we should aspire to every day, and gives guidance on where to go for further advice.

This document gives an overview of our programme.

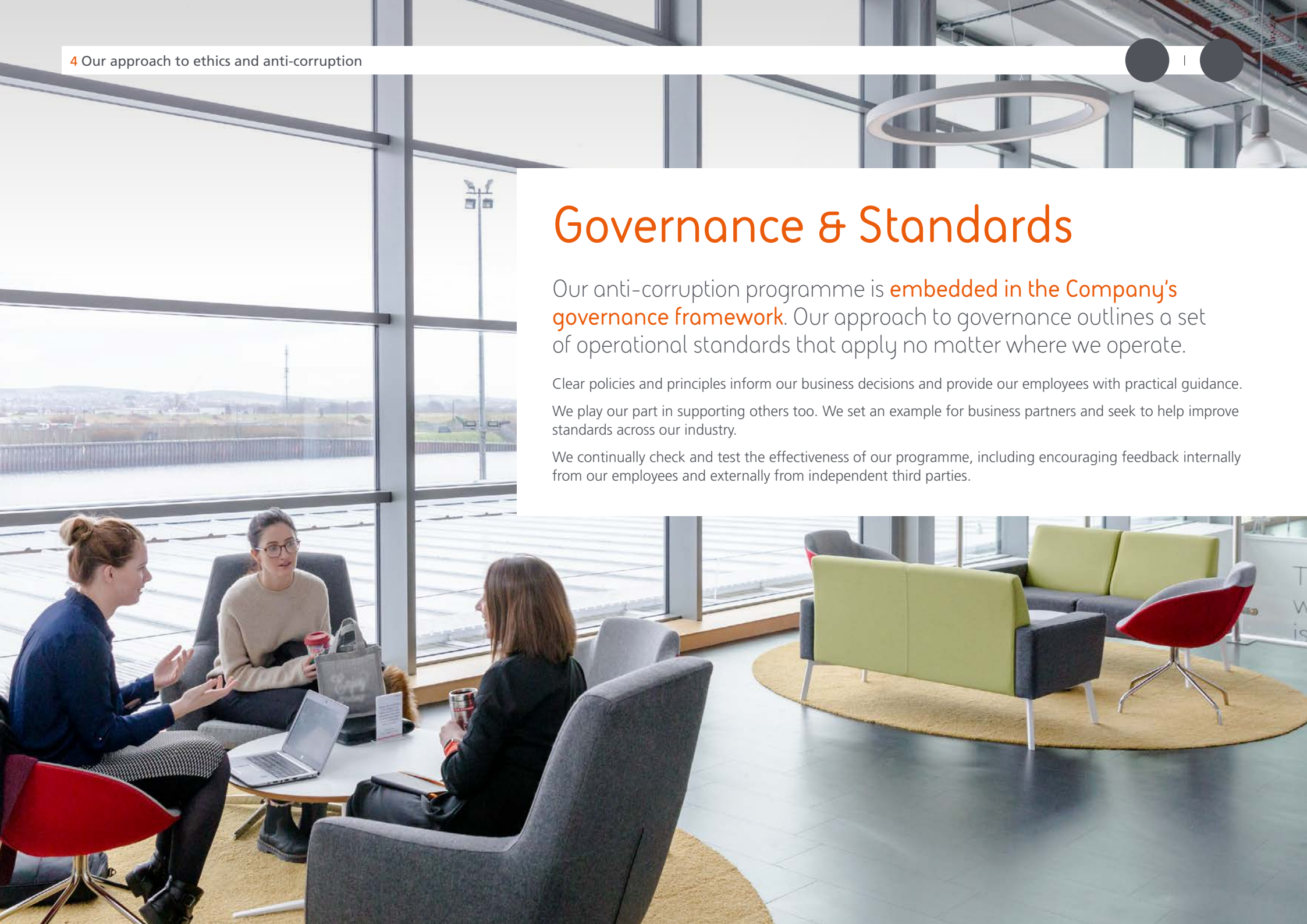
Governance and controls			
<ul style="list-style-type: none"> > Operational Framework including roles and responsibilities, global mandated policies (including Advisers Policy, Community Investment Policy, Conflicts of Interest Policy, Export Control Policy, Facilitation Payments Policy, 	<ul style="list-style-type: none"> Fraud Prevention Policy, Gifts and Hospitality Policy, People Policy, Lobbying, Political Donations and other Political Activity Policy, Offset Policy, Procurement Policy, Product Trading Policy, Pursuit of Export Opportunities Policy and 	<ul style="list-style-type: none"> Risk Management Policy) and processes. > Internal Audit Charter > Code of Conduct > Supplier Principles 	<ul style="list-style-type: none"> > Due diligence for third parties including advisers, joint venture partners and suppliers > External panel - for appointment of advisers
Oversight and monitoring			
<ul style="list-style-type: none"> > Board level review via CR Committee and Audit Committee > CEO review - via Chief Executive Business Review (CBR) process > Adviser Policy Monitors 	<ul style="list-style-type: none"> > Business/ market review - via line leaders and Executive Committee via CBR/Quarterly Business Review > Executive Committee and line leaders - quarterly ethics dashboard 	<ul style="list-style-type: none"> > Business leaders - quarterly ethics pack > Ethics Committees - have oversight of ethics and review ethics cases and quarterly data 	<ul style="list-style-type: none"> > Dedicated legal and specialist anti-corruption teams embedded across the business > Community Investment Approvals > Gifts and Hospitality Approvals
Assurance and risk			
<ul style="list-style-type: none"> > Ongoing anti-corruption programme risk based due diligence assessment 	<ul style="list-style-type: none"> > Operational Assurance Statement process > External Audit Programme 	<ul style="list-style-type: none"> > Risk Management Process > Internal Audit Programme 	<ul style="list-style-type: none"> > Policy Review Process > Audit processes for third parties including advisers and suppliers
Communication and training			
<ul style="list-style-type: none"> > Senior leader commitment and ongoing dialogue > Ethics Helpline via email, phone or online 	<ul style="list-style-type: none"> > Training - Business Conduct, Export Controls, Business Integrity in Business Dealings and Advisers > Speak up process 	<ul style="list-style-type: none"> > Ethics Officer network > Ethical behaviour embedded in employees annual objectives and performance review 	<ul style="list-style-type: none"> > New employees are required to review and acknowledge Code of Conduct before employment contract issued

Governance & Standards

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.

Clear policies and principles inform our business decisions and provide our employees with practical guidance. We play our part in supporting others too. We set an example for business partners and seek to help improve standards across our industry.

We continually check and test the effectiveness of our programme, including encouraging feedback internally from our employees and externally from independent third parties.



Oversight of anti-corruption programme

The Corporate Responsibility (CR) Committee of our Board is **dedicated to the oversight of the Company's performance** in CR, including our anti-corruption programme.

The CR Committee meets quarterly and comprises four non-executive Directors and is also attended by the Chairman, Chief Executive, Group General Counsel, Group Audit Director and Group Director Governance, Conduct & Sustainability. The Committee meets as part of the Board's annual schedule of meetings.

Our **Chief Executive has primary responsibility** for delivery of the Operational Framework

The Terms of Reference of the CR Committee outlines their duties to oversee the Company's strategy on anti-corruption, including:

- > Reviewing internal controls used and the effectiveness of risk management procedures, including annual review of the Advisers Policy and Process, Lobbying activity and Community Investment activity.
- > Ensuring the Code of Conduct is reviewed every three years and reflects best practice.
- > Reviewing the mechanisms in place for employees to obtain advice on responsible behaviour or raise and report concerns in confidence.
- > Making proposals regarding appropriate CR related performance objectives including business conduct.
- > Reviewing the quarterly ethics dashboard.
- > Reviewing CR related reports from Internal Audit and assessing management responsiveness to findings.

Our Chief Executive has primary responsibility for delivery of the Operational Framework (OF) (see [page 7](#)) and upholding the standards set out within our anti-corruption programme and the Code of Conduct.

He is supported by the Group General Counsel and the Group Director Governance, Conduct & Sustainability and their respective teams in upholding the standards set out within our anti-corruption programme and the Code of Conduct and who advise on strategy and direction and liaise with the businesses teams to ensure delivery.

Reporting oversight of the employee ethics programme sits with the Group Director Governance, Conduct & Sustainability who is responsible for reporting ethics information, including ethics breaches, to the Chief Executive and the CR Committee. Operational oversight of our employee ethics programme sits within Governance, Conduct & Sustainability or, for BAE Systems Inc. the Inc. General Counsel. Both teams work together to roll out a global programme.

The Group General Counsel is responsible for setting appropriate standards across the Company in a series of core anti-corruption policies and procedures that include the Advisers Policy, the Export Control Policy, the Gifts and Hospitality Policy, the Facilitation Payments Policy, the Conflicts of Interest Policy and compliance aspects of the Offset Policy.

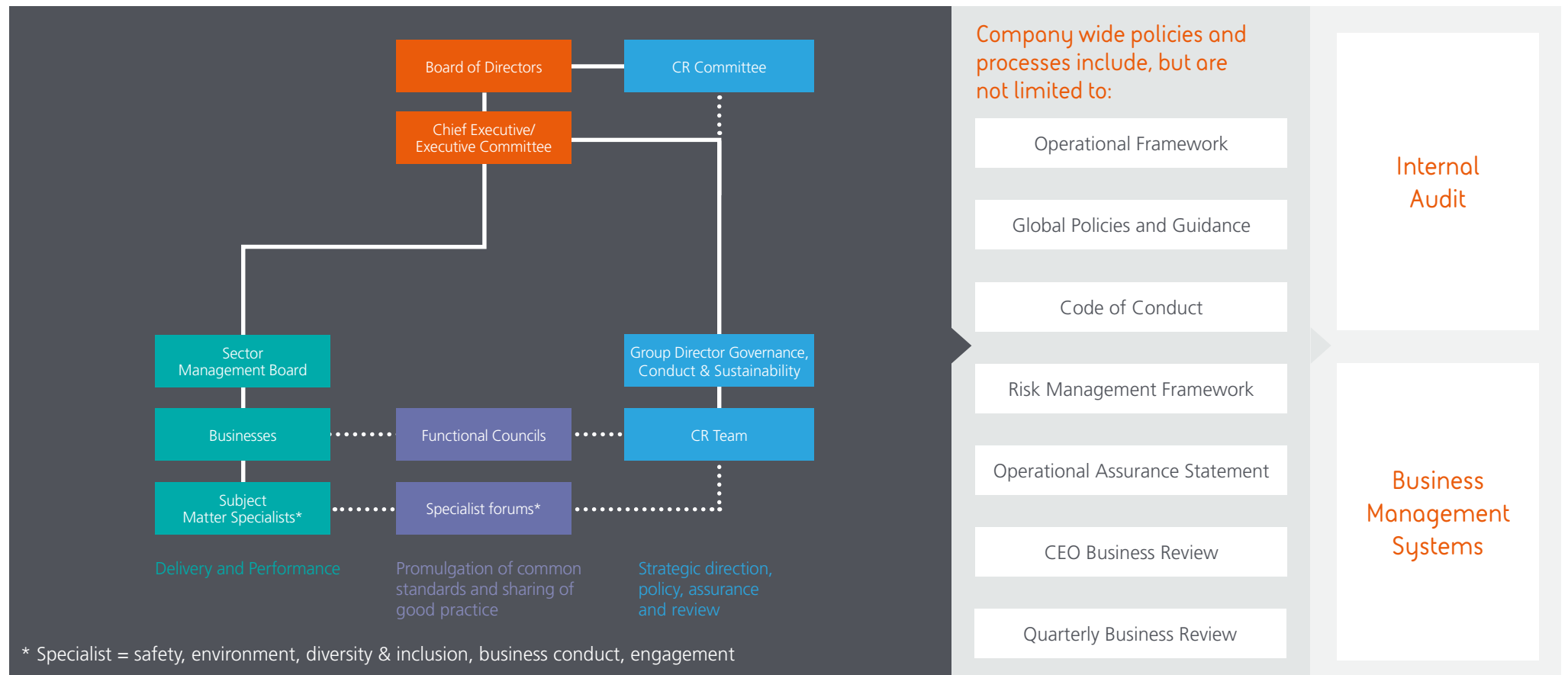


Please note: To see an update of what the CR Committee reviewed during 2018 on our anti-corruption programme please [click here](#).



Oversight of anti-corruption programme – continued

Governance of Corporate Responsibility



Oversight of anti-corruption programme – continued

Internal Audit

Our Internal Audit team provides assurance in relation to the effectiveness of and adherence to the Company's internal controls, processes and policies. This is achieved through a programme of audits based on a continuous assessment of business risk across the Company. Audit findings are reported to the Audit Committee of the Board and the Corporate Responsibility Committee. All audit reports are distributed to relevant Executives. All audits address and report on ethical business conduct.

Internal Audit provides assurance to the Audit Committee, Corporate Responsibility Committee and management about governance, systems and controls, making recommendation to address issues when identified. Where relevant, findings and recommendations from internal audits result in changes to our governance system, including but not limited to, our anti-corruption programme, processes, policies, due diligence, Code of Conduct and employee training.

Owned and managed by Internal Audit, the Company's Operational Assurance Statement (OAS) is one of the Company's mandated review processes. It is a self-assurance process conducted by the line and functions. The OAS process is signed off by Line and Functional leaders twice yearly, providing assurance that mandated policies and processes are being complied with. Where appropriate remedial actions are established to address issues identified.

Operational Framework (OF)

The OF sets out how we do business across the Company and encapsulates our values, global policies and processes, together with clear levels of delegated responsibility aimed at ensuring that all of our employees and businesses act in a clear, accountable and consistent manner. It is reviewed and approved annually by the Board. The OF is mandatory across the Company (including all wholly-owned subsidiaries). All other companies and entities controlled by the Company are required to have a governance structure substantially equivalent to the OF.

The OF sets out the principles of good governance which, together with our culture, guide our work and behaviour in support of the strategy set in our [Group Strategic Framework](#). Here we set out the values that we ask all our employees to demonstrate in their day-to-day work, wherever they are in the world.

How we conduct our business is fundamental to the success of the Company. The OF sets out our approach and the standards to which we adhere. It includes the following:

Code of Conduct	Responsible Trading Principles	Internal controls	Risk framework	Workplace and operational environment	Delegated authorities
Lays out the standards that are expected of each of us, to support us in doing the right thing. All employees receive annual training designed to stimulate conversations about ethical decision-making.	We do not compromise on the way we do business and here we mandate a principles-based approach to our business activity.	Provide assurance regarding: <ul style="list-style-type: none"> > the reliability and integrity of information; > compliance with policies, processes, laws, regulations and contracts; > the safeguarding of assets and protection against fraud; and > the economical and efficient use of resources. 	This is how we identify, analyse, evaluate and mitigate risk.	This covers how we expect our people to be managed and the obligations placed on us all concerning avoiding conflicts of interest, anti-bribery, and managing the security of our people, information and other assets.	As part of a robust system of internal controls, the Board has delegated certain authorities to executive management. Delegation is subject to financial limits and other restrictions, above which matters must be referred to the Board.



Oversight of anti-corruption programme – continued


Senior review of ethics information

The Chief Executive receives regular information on ethics via the Chief Executive Officer Business Review (CBR) process, which is a quarterly top-level review of the key operational, financial and non-financial performance issues within the business, and significant forthcoming bids and events. Information includes businesses compliance with our governance framework and risk via the OAS process and Risk Management process.

The Executive Committee and Line leaders receive a quarterly ethics dashboard regarding their sectors and businesses. This is included as part of the Quarterly Business Review (QBR) of the performance of each of the Company's businesses against their objectives, measures and milestones including financial and non-financial risk. OAS and key risks are also reviewed.

Business Leaders receive ethics information showing the number of cases per 1,000 employees, tracked over time, anonymity rates and the number of approaches to Ethics Officers and the Ethics Helpline. The businesses also receive heat maps combining ethics cases, safety data, disciplinary actions and grievance cases, giving a location-by-location health check. Business leaders also review their OAS and key risks.

Ethics Committees have oversight of ethics and review quarterly ethics data, including, but not limited to, a summary of each case and its status, escalated cases and anonymity rates.

 Business leaders also **review** their OAS and **key risks**



Assessing risk within our anti-corruption programme

The structure and content of our anti-corruption programme, including policies and procedures, has been designed through an assessment of relative risks and is **tailored to the specific risks** faced by the Company.

This programme is assessed on a continuous basis with adjustments made to reflect our evolving organisation, the markets in which we operate, and associated risks.





Risk management process

Risk, both financial and non-financial, is a regular agenda item at Board meetings and the Board reviews risk as part of its **annual strategy review process**. This provides the Board with an appreciation of the key risks within the business and oversight of how they are being managed.

The Board delegates oversight of certain risk management activities to the Audit and Corporate Responsibility committees as follows:

- > The Audit Committee monitors the Company's key risks identified by the risk assessment processes and reports its findings to the Board twice a year. It is also responsible for reviewing in detail the effectiveness of the Company's system of internal control policies, and procedures for the identification, assessment and reporting of risk.
- > The CR Committee monitors the Company's performance in managing the Company's significant non-financial risks, including (but not limited to) those arising in respect of anti-corruption. The Committee reports its findings to the Board on a regular basis.

The Company's Risk Management Policy sets out the Risk Management Process that is followed by the line management of the businesses. Identified risks are documented in risk registers. Each risk is allocated an owner who has authority and responsibility for assessing and managing it.

The OAS and non-financial risk registers are reviewed regularly by the Executive Committee to monitor the status and progression of mitigation plans, and these key risks are reported to the Board on a regular basis.

 Key risks are reported to the Board on a **regular basis**

More online: For more information on the principal risks relating to compliance with anti-corruption regulations and our Risk Management process, see our [2018 Annual Report](#).





Anti-corruption policies within our Operational Framework

Links to summaries of our mandated corporate anti-corruption policies are provided opposite. **Policies are global and embedded in our OF.** Compliance with policies is monitored via our OAS process and our CBR and QBR processes.

Policies apply to BAE Systems plc, its wholly owned subsidiaries and their respective employees. All other companies and entities controlled by BAE Systems plc are required to have a substantially equivalent policy applicable to their respective employees.

Our policies include processes for risk-based due diligence, internal and external approvals, and ongoing monitoring.



Policies are reviewed annually.
Any changes to policies are approved at Board level.



Code of Conduct

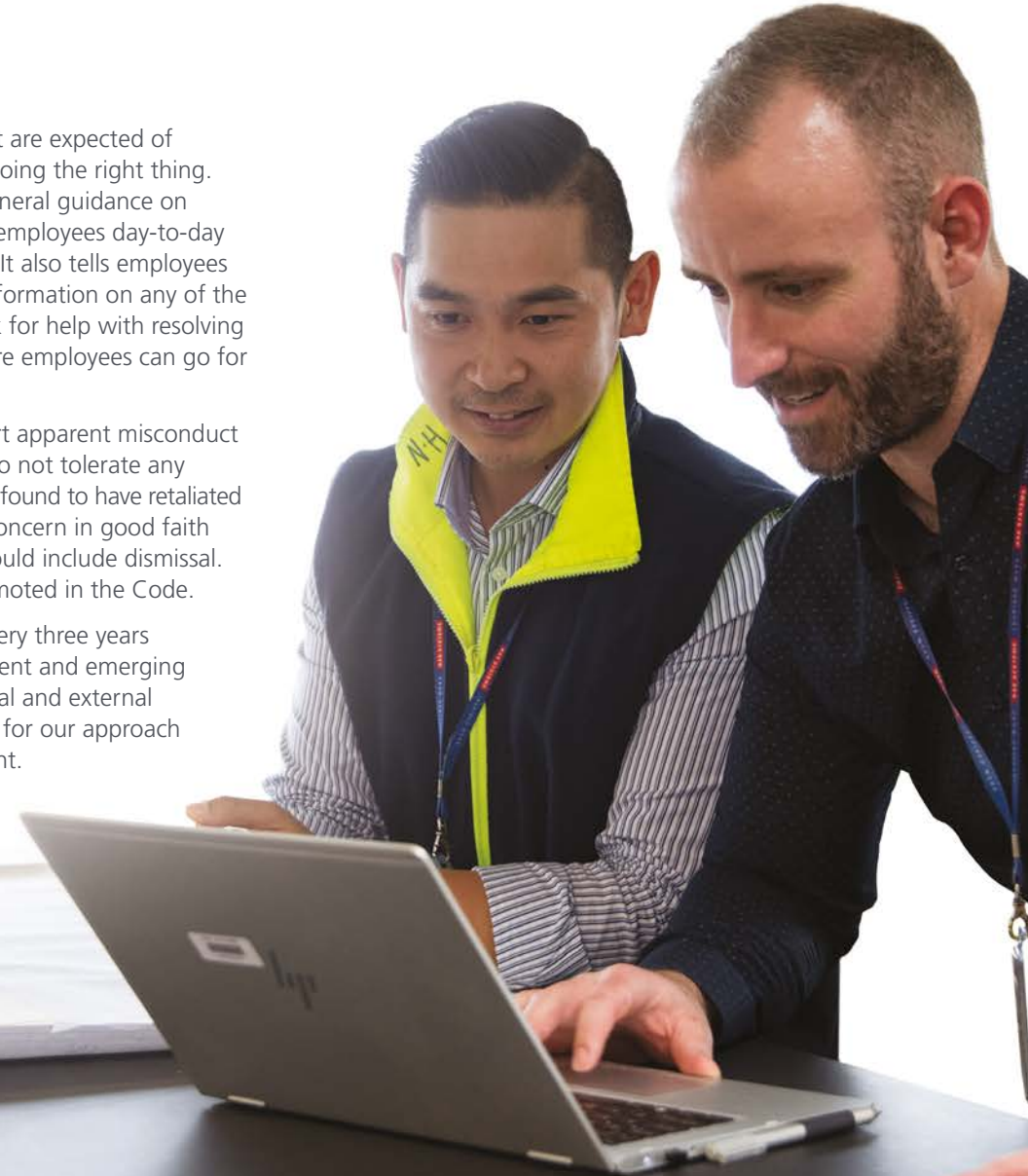
Our Code of Conduct applies to all employees, including all members of our Board of Directors (including Non-Executive Directors), and employees in wholly-owned subsidiaries, wherever we operate in the world. All other companies and entities controlled by BAE Systems are required to uphold standards which are substantially equivalent to the Code.

Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to the Code. The Code is also embedded as part of the due diligence process for Suppliers, including Advisers. The Code explicitly prohibits bribery and other forms of corrupt activity.

Our Code lays out the standards that are expected of our employees, to support them in doing the right thing. In practical terms, our Code gives general guidance on situations that might happen in our employees day-to-day activities on behalf of the Company. It also tells employees where they can get more detailed information on any of the topics covered and who they can ask for help with resolving concerns. More information on where employees can go for help is covered on [page 23](#).

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 and promoted in the Code.

Our Code is reviewed and revised every three years to incorporate best practice and current and emerging material risks and issues, both internal and external to the Company. Please see [page 10](#) for our approach to anti-corruption in risk management.



Code of Conduct – continued

Our responsible decision-making model

The Code cannot cover every situation that employees might find themselves in and so we promote via our Code and employee training, our responsible decision-making model to help guide employees through situations that they may not be sure of. The Code is embedded throughout the year via training (see [page 22](#)) and ongoing communications with employees. Employee communications include online ethics minutes and ethics white boards, scenario comic strips, dedicated ethics intranet sites, articles in newsletters, on business intranet sites and employee apps, case studies, team briefs, information on digital screens and posters.

Line leaders also include ethics information when engaging with employees during roadshows, meetings, blogs and podcasts. Line leaders also take the opportunity to engage external stakeholders on promoting ethical business conduct.

Our revised Code of Conduct, launched in 2018 and was rolled out to employees via face to face training. New employees received Code training during their induction. The Code is available for employees in hard copy and online, via our intranet and internet sites and employee apps. Our Code of Conduct is translated into:

- > Arabic

- > Hebrew

- > Spanish

- > Swedish

- > UK/US English



More information:

For more information on raising a concern, and what happens next, refer to [page 23](#).

Our responsible decision-making model

1. Gather the facts

- > Do I have all the relevant information?
- > Have I separated assumptions from facts?
- > What other information might I need, and where could I find it?

2. Understand the rules

- > What are the relevant laws and regulations?
- > What do the Code of Conduct and our Policies say?
- > What are the industry standards and practices?

3. Consider the situation

- > Think about accountability, honesty, integrity, openness and respect.
- > How does the situation affect others and how may it be perceived?
- > Would I feel comfortable explaining my decisions to my colleagues, family and friends?
- > How would I feel if this appeared in a newspaper? Would it reflect badly on me, my colleagues or the company?
- > Is it setting a good example?
- > Ask yourself: am I doing the right thing?

4. Seek advice from others

- > Talk to your manager or supervisor.
- > Consult with the human Resources or Legal department.
- > Speak to an Ethics Officer, phone the Ethics Helpline, report the issue via the Ethics website or send an email.



Ethics within business

Due diligence and contracting

Risk based due diligence, including enhanced due diligence where required, is undertaken in respect of all third parties with which the Company engages, whether supplier, adviser, customer, joint venture partner, acquisition target or other third party. This would include, where required, establishing the identity of third party in terms of beneficial ownership and gathering of sufficient information to enable the Company to assess bribery and corruption risk in the relevant context. In the event that the Company is content to proceed, relevant contracts contain appropriate anti-corruption provisions. These can include audit and termination rights.

BAE Systems employees appointed to the board, or comparable governing body for non-controlled JV's, exert the influence they have to encourage the adoption of governance that is substantially equivalent to our own including, policies and processes, Code of Conduct, employee training and Ethics Helpline. BAE Systems also has the right to audit and review the business.

All new acquisitions and **controlled JV's are governed by our OF** and follow our anti-corruption programme



Ethics within business – continued

Lobbying

We do not participate directly in political activities. Nor do we engage in activity that favours one political party or group over another.

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.

Through our lobbying activities, we seek to:

- > Inform them about our business.

- > Engage in policy debate on subjects of legitimate concern related to our business.

- > Promote BAE Systems' solutions for national defence and security requirements.

We have a clear policy to guide employees involved in lobbying and any external advisers acting on our behalf who are appointed following a thorough anti-corruption due diligence process.

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.

Our lobbying activity is governed by our Lobbying, Political Donations and Other Political Activity 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.

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 subject to a thorough anti-corruption due diligence process.

Anyone engaged in lobbying activities on behalf of BAE Systems conducts themselves in a way that conforms with our **standards of responsible business conduct**

Ethics within business – continued

Lobbying – continued

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

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 details countries in which lobbying has taken place, which bodies were lobbied and the issues on which they were lobbied.

The report also provides an update on the activities of the BAE Systems US Political Action Committee (PAC), an oversight committee which manages compliance of the PAC with Federal Election Commission requirements.

We comply with local market disclosures on the public reporting of lobbying expenditure, for example, in the US our business complies with The Honest Leadership and Open Government Act of 2007 and PAC disbursements are filed, registered and publically disclosed in line with FEC requirements.

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 US 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.

 **We do not make corporate contributions or donations** to political parties or their representatives

Ethics within business – continued

Offset

Offsets are a formal regulatory requirement in a number of the countries in which we do business. We currently 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.

All offset arrangements are governed by our OF (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.

We sometimes use external consultants to advise us about the local business environment, assist in discussions with government officials or support offset matters. All such consultants are governed by our Advisers Policy.

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-corruption due diligence.

Recruitment of former or current public sector personnel

The Company has policies and processes in place to cover the recruitment of former or current public sector personnel. Policies incorporate local market legislation and procedures. For example, in the UK we follow the strict 'Business Appointment Rules' regarding the recruitment and hiring of 'Crown Servants'. The Rules address reasonable concerns of influence, exploitation of privileged information and improper advantage.

The responsibility for compliance in relation to recruitment and hiring sits with the Human Resources Director in each respective business. Any specific clauses attached to recruitment of former or current public sector personnel, for example cooling off periods or restriction of activities, are managed via HR and the employees direct line manager.

All proposals for offset put forward by our businesses are subject to a rigorous review and approvals process which **includes risk-based anti-corruption due diligence**

Business partners

Advisers

BAE Systems uses the term 'Advisers' to refer to those engaged in promoting or assisting our sales and marketing efforts or the strategic development or political context of the Company, such as marketing representatives, distributors, consultants and those who interface with our customers on our behalf. Advisers are commonly used in many industries to provide external knowledge and expertise. We engage advisers to support our business in a number of ways, including:

- > Providing essential knowledge on dealings in particular markets.
- > Providing direct or indirect promotion and support of marketing, sales or business development campaigns.
- > Assisting with understanding the customer and/or its organisation, requirements and budget allocation.
- > Advising on strategic aims and objectives.
- > Assisting with understanding and influencing the strategic or political environment or the context for our business, including lobbyists.
- > Assisting with setting up meetings with customer contacts.
- > Assisting with offset and counter-trade arrangements.
- > Assisting with assessing a security threat against the Company.

Our Advisers Policy helps us reduce and address ethical, reputational and legal risks associated with the appointment and use of advisers. All of our Advisers undergo an extensive due diligence and review process.


Our Advisers Policy governs the appointment, management and payment of all third parties engaged to guide, influence, promote, assist and support our sales and marketing efforts or advise on the strategic development or the political context of our business or aspects of security.

The policy governs our process for selecting, conducting due diligence on, appointing, managing, paying and terminating advisers. It requires that:

- > We must only appoint advisers of known integrity and that advisers must comply with our standards of conduct at all times.
- > The appointment process for advisers confirms that there is no apparent risk that the adviser will engage in corrupt or unethical behaviour, and that any issues of potential concern are satisfactorily resolved through appropriate due diligence enquiries.
- > There is a clearly demonstrated business case for retaining the adviser and compelling justification for the remuneration proposed.

Employees involved directly in dealings with advisers must undergo training on the policy. Compliance with the policy is monitored through our OAS process.

All adviser appointments are subject to enhanced due diligence, including a face to face interview. Where we are content to proceed, all contracts include appropriate anti-corruption provisions, including audit and termination rights. Adviser appointments, including the results of due diligence and payment terms are reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent outside legal counsel. This applies to the appointment of all Advisers for business development, security, offset and lobbying activities with the exception of certain domestic lobbyists in the US whose appointment is subject to separate legislative controls. All adviser appointments are subject to on-going monitoring and review and require reappointment and refreshed due diligence every two years.

 We have a **zero tolerance policy** towards corruption



Business partners – continued

Guidance for our suppliers

Strong business relationships with our major suppliers is key to our mutual success. Suppliers are often part of our team and we expect them to meet our own high standards. To help communicate our ethical standards to 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 applicable laws and regulations.

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. These assessments cover issues such as anti-corruption measures, environmental impact, safety, export controls, human rights, modern slavery and legal adherence. These risks are monitored throughout all stages of projects and contracts.

Suppliers have the opportunity to raise issues and concerns via ongoing supplier management processes or they can call our [Ethics Helpline](#). Details of our Helpline are included within our [Supplier Principles – Guidance for Responsible Business](#). Calls received from suppliers follow the same process outlined under [Employee support and advice](#).

The Principles defines the **behaviour we expect from our suppliers** and what they can expect from us

More online: [Click here](#) to see more information on our due diligence process for suppliers and our 2018 Modern Slavery Act Statement. Read more about each summary and report by clicking the links above.





Improving our anti-corruption programme and improving industry standards

We continuously improve and evolve our anti-corruption programme by:

- > Listening to employee feedback.
- > Incorporating guidance and investigation information from Ethics Officers and Ethics Helpline calls, fraud or legal investigations.
- > Incorporating findings from Internal Audit and OAS process.
- > Including current and emerging internal and external risk.
- > Reviewing legal and regulatory developments and guidance in the markets in which we operate.
- > Benchmarking with global companies across all industry sectors.
- > Commissioning independent reviews of our programme.

To support improving industry standards we are a member of our industry body for ethics, the International Forum on Business Ethical Conduct. We are also members of the Institute of Business Ethics and The Defense Industry Initiative and sit on the Steering Board of the Business Ethics Network of Aerospace, Defence, Security and Space Group.

 We **continuously improve and evolve** our anti-corruption programme

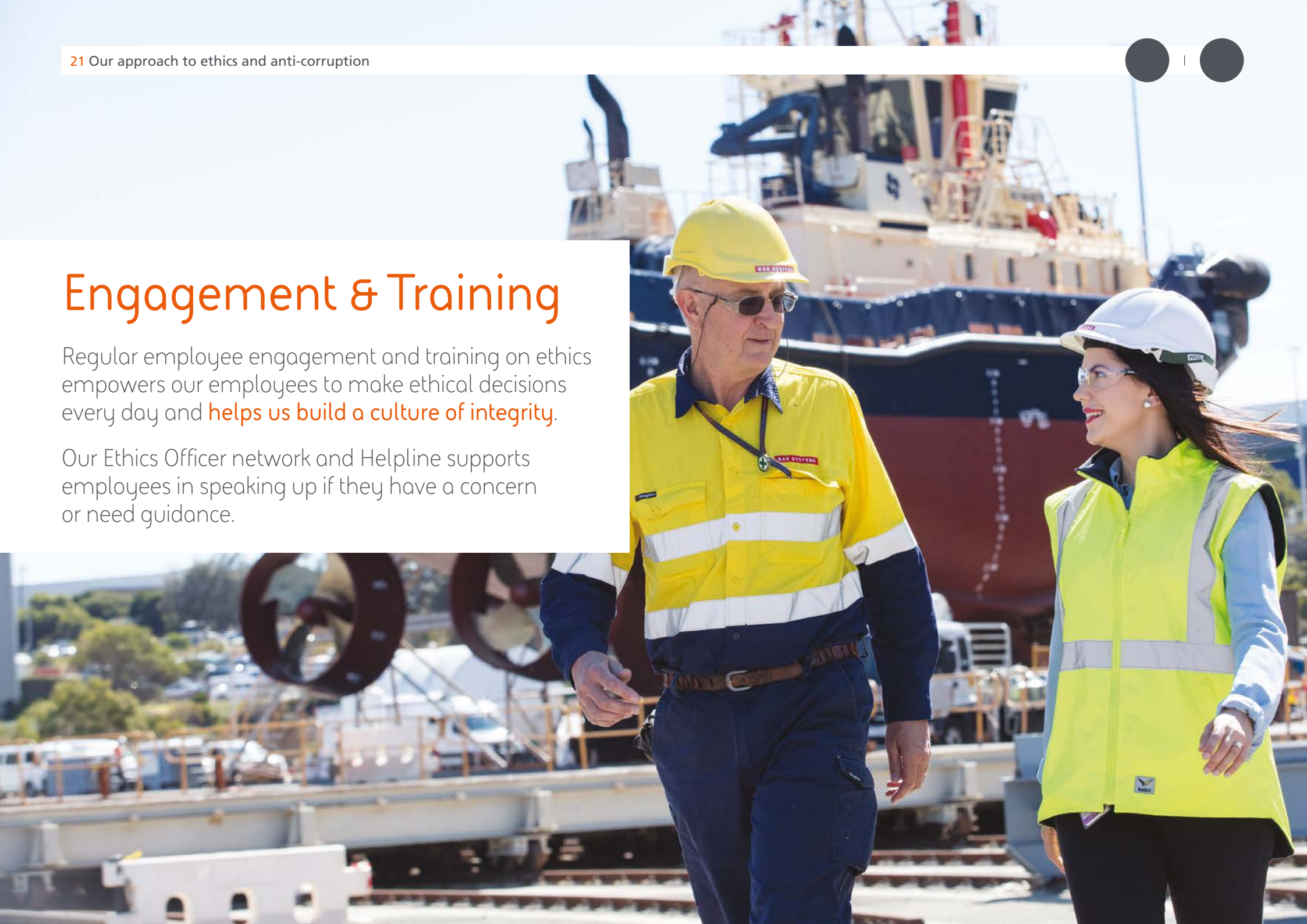




Engagement & Training

Regular employee engagement and training on ethics empowers our employees to make ethical decisions every day and **helps us build a culture of integrity.**

Our Ethics Officer network and Helpline supports employees in speaking up if they have a concern or need guidance.





Ethics training

Ethics training gives employees a shared understanding of what is expected of them and helps create an environment in which **all employees feel they can ask questions and be supported** in making the right decisions.

Our conversation based training is delivered to employees face-to-face by people managers. Managers use a Leader's Guide to help deliver the training. The guide is translated into Arabic, Spanish, Swedish and UK/US English. Ethical scenarios (scenario cards and video scenarios) are discussed in a team environment, to promote rich and open discussion about what the implications of decisions are for individuals, the Company and our customers. Training helps build employee awareness and confidence in raising issues and managing real situations when they occur.

Our speak up model (see [page 23](#)), promotes our Ethics Officer network and Ethics Helpline, as places to go for guidance and support.

Training scenarios cover ethical issues that have arisen across the Company and also cover current and emerging risks and issues both internal and external to the Company (please see [page 10](#) for our approach to risk management). Training is refreshed, incorporating employee feedback, material risks (including Internal Audit findings, ethics investigation findings and disciplinary information) and best practice and is delivered annually.

On an on-going basis employee understanding and confidence in our engagement and training programme is monitored via employee surveys and face to face dialogue, including our annual, line-manager led, face to face ethics training.

■ Training is **monitored and recorded** in an employee's personnel file

Training is mandated for all employees, including all members of our Board of Directors, employees in subsidiaries and controlled joint ventures, wherever we operate in the world.

Depending on an employee's roles within the Company, they may be required to undertake additional training. For example, specific training modules have been introduced for senior executives, business leaders and those in key functions including finance, legal and business development. Additional training includes Export Controls, Integrity in Business Dealings and Advisers.

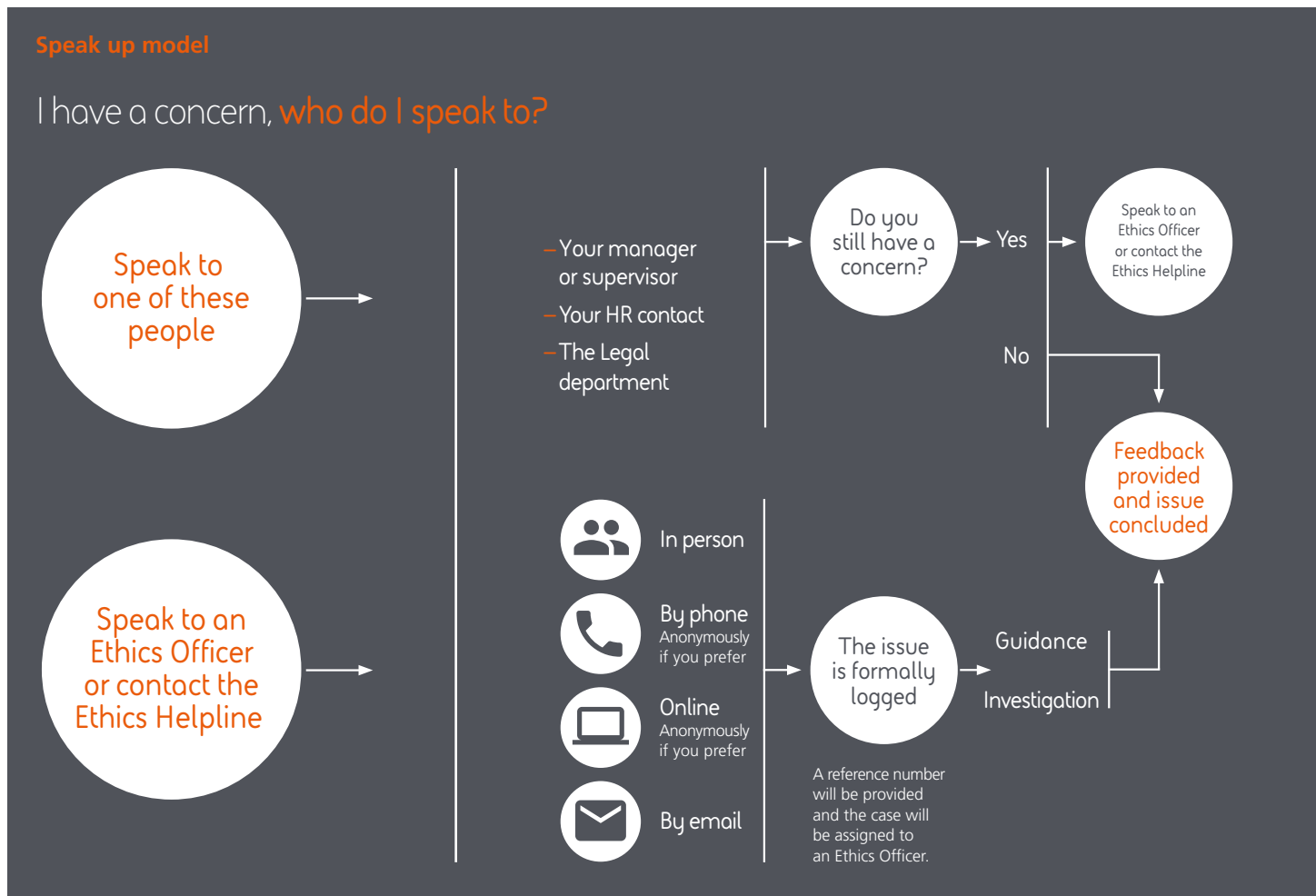


Employee support and advice

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. **We also actively promote our Ethics Officers and Helpline across our business.**

We have Ethics Officers (for more information regarding our Ethics Officers go to [page 25](#)) 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.

We actively encourage employees globally to speak up if they have a concern



Employee support and advice – continued

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. Investigations are carried out by individuals, who have been trained in the Company's investigations process, in the appropriate department for instance; HR, Audit, or Legal. This ensures appropriate oversight of this issue. The outcome and findings of the investigation is fed back to Ethics Officers to review before the final report is issued and the matter is closed. Investigations can take from a few days to complete to a few months in highly complex cases.

Investigation procedures are reviewed for update every three years.

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.

Employees are updated on the progress of the issue they have raised. We may not be able to provide employees with all the details of an investigation due to privacy issues/data protection but we will update them as appropriate. Raising issues and concerns can result in a range of outcomes, including improvements to governance and changes to practices, guidance and training, and disciplinary action which could include dismissal.

If an employee is not happy with the outcome of a call or investigation, they can separately raise a grievance via HR.

We support all employees, who report apparent misconduct honestly, and in good faith and 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.

Our Ethics Helpline

- > Calls to the Ethics Helpline are free
- > Lines are open 24 hours a day, seven days a week
- > Calls are answered in English, but there are qualified interpreters available
- > Concerns can be reported anonymously

Employee calls to the Helpline are answered by a trained member of staff from an external, independent company which specialises in operating confidential telephone reporting systems.

Written details of employee conversation are confidentially reported to the Company. Employee calls are not recorded.

Employees are given a reference number to check back on the status of their report.

Details of our **Ethics Helpline is available on our website** and is promoted to our business partners to use



More online: For our latest stats on the number of ethics enquiries received, anonymity rate and dismissals for reasons relating to unethical behaviour go to our [2018 Annual Report](#).

Ethics Officers

We have **over 160 Ethics Officers across our Company**, who support our employees with guidance and reporting concerns on a day to day basis.

Our Ethics Officer network is made up of:

- > **Ethics Officers** who act as ambassadors for the Code of Conduct, engage employees in increasing their understanding of the Code, provide advice and guidance for employees and managers on how to apply the Code in their everyday working life, and support individuals in resolving ethical concerns. They undertake this role in addition to their day job, usually as around 10% - 20% of their time and they report into Ethics Managers.

- > **Ethics Managers/Directors** are appointed by their business to act as Ethics Officers in a full-time capacity and report into the Chief Counsel (for that business) and central ethics oversight team. As well as the duties of an Ethics Officer they also lead the network of Ethics Officers in their business, provide reporting to the senior management of the business, manage reports made via the Ethics Helpline and act as a link to the central Ethics team.
- > **Ethics Leads** carry out the same duties as an Ethics Manager in our smaller businesses (excluding Inc.), where a full-time position is not required. This role reports into the Chief Counsel for the business and central ethics oversight team.

New Ethics Officers receive training on our case management tool and ethics investigation process, so that they can manage ethics cases raised.

Our Ethics Officer network receive regular communication and training to support them in their roles. Day to day communication includes, webinars, newsletters, email updates and resources on dedicated online team sites and within the Ethics Officer Toolkit. We also hold an annual two day conference in the UK and US.

We encourage Ethics Officers to share information and best practice internally within their Ethics Officer network and promote attendance at external events and industry associations.

Our Ethics Officer network **receive regular communication and training** to support them in their roles

Embedding responsible behaviour in employee reward and recognition

To support employees in understanding what is expected of them in their daily roles, a set of **eight shared strategic objectives** are rolled out globally to employees including executive directors and the Executive Committee, to help deliver our Company Strategy.

One objective focuses on 'Building trust by operating to the highest standards of business conduct' to help embed responsible behaviour performance at an individual employee level.

These strategic objectives are supported by eight behaviours, which complement our Company values – Trusted, Innovative and Bold - and focuses on how we do things across the business. One behaviour is focused on 'Integrity'. Employees will be assessed, via performance reviews during the year, regarding how they demonstrate and advocate behaviours, ensuring employee's performance is assessed on not only what is achieved, but also how it was achieved.

One objective focuses on '**Building trust by operating to the highest standards of business conduct**' to help embed responsible behaviour

Remuneration

Our incentive plans are overseen by our Remuneration Committee, chaired by and made up of non-executive directors.

All incentive plans are linked to the collective achievement of objectives across the enterprise globally.

Our incentive construct is made up of the following – 75% financial (aggregate measures based on profit, cash and orders). And 25% based on non-financial objectives and how these have been achieved. 5% of the non-financial element is related to achievement of safety and diversity and inclusion targets.

We do not have sales incentive schemes in place in our core defence businesses, and employees who work in business development/sales roles participate in the same incentive plan as other employees. We do not have any plans in our core defence business which link incentive payments directly to the sale of particular products.

Chairman's Awards

Our Chairman's Awards programme recognises individuals and teams for their outstanding contribution to the success of the Company.

There are three award categories, with one focusing on 'Embracing responsible behaviour'. This category shines a light on the people and initiatives that demonstrate our commitment to being a responsible business. It celebrates work that enhances our reputation and makes the Company a better and more productive place to work by championing key issues such as safety and wellbeing, our environment and communities, ethics and inclusion, continuous improvement and competitiveness, and how we work together.

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