

DEFENCE COMPANIES INDEX (DCI) ON ANTI-CORRUPTION AND CORPORATE TRANSPARENCY 2020

FINAL ASSESSMENT

BAE SYSTEMS PLC.

The following pages contain the detailed scoring for this company based on publicly available information.

The table below shows a summary of the company's scores per section:

Section	Number of Questions*	Score Based on Publicly Available Information
1. Leadership and Organisational Culture	4	8/8
2. Internal Controls	6	11/12
3. Support to Employees	7	13/14
4. Conflict of Interest	4	5/8
5. Customer Engagement	7	7/14
6. Supply Chain Management	5	7/10
7. Agents, Intermediaries and Joint Ventures	10	14/20
8. Offsets	4	4/8
9. High Risk Markets	4	7/8
10. State-Owned Enterprises	0	N/A
TOTAL		76/102
BAND		B

*This column represents the number of questions on which the company was eligible to receive a score; i.e. where the company did not receive a score of N/A.

1. Leadership and Organisational Culture

Question
1.1. Does the company have a publicly stated anti-bribery and corruption commitment, which is authorised by its leadership?
Score
2
Comments
There is evidence that the company has a publicly stated anti-bribery and corruption commitment, which details the company's stance against any form of corruption within the organisation. There is clear evidence that this commitment was authorised and endorsed by the company's CEO.
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 31/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.3] Introduction – Committed to responsible and ethical business conduct</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Charles Woodburn Chief Executive</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.2] Message from the Chief Executive</p> <p>Being a responsible business</p> <p>Being a responsible business is about doing the right thing – legally and ethically – in a way that continually earns us the trust of all our stakeholders.</p> <p>This is absolutely fundamental to everything we do, particularly given the sensitive nature of the work we are entrusted with and our vital role in helping to defend national security and prosperity.</p> <p>For me, it's about being part of a culture where we know what is expected of us and we are guided and supported to make responsible decisions in our work.</p> <p>While our Code of Conduct cannot cover every possible scenario we may face, it defines the standards and behaviours we should aspire to every day and gives us guidance on where to get advice if we're unsure.</p>

Each one of us must remain committed to building a responsible culture where we can speak up confidently if we have questions or concerns without fear of retaliation. A culture that underpins our Company values of Trusted, Innovative and Bold. A culture we can be proud of.

By doing so, we will continue to deliver the high standards of business conduct that our customers, shareholders, partners and colleagues expect of us.

[p.3] "For me, it's about being part of a culture where we know what is expected of us and we are guided and supported to make responsible decisions in our work."

Charles Woodburn
Chief Executive

[p.26] Bribery, gifts and entertainment

Our standard

We will never offer, give or receive bribes or inducements for any purpose, either directly or through a third party.

What it means to me

We do not tolerate or condone bribery or other forms of corrupt activity. Even the suggestion of corruption may damage the reputation of the Company and affect our ability to do business. It may also bring the personal integrity of individuals into question. Employees, advisers, consultants, distributors, joint venture partners, offset and industrialisation partners, suppliers or anyone else who may be acting on the Company's behalf must not offer, give or receive bribes or corrupt payments. A bribe includes any direct or indirect payment, benefit or gift offered, given or received with the purpose of improperly influencing a decision or outcome. The payment does not necessarily have to be of large value. It could be as simple as a lunch or an invitation to a sporting event. Payments, gifts or other benefits provided to or through a third party, such as a decision maker's relative or business partner, could also be a bribe under certain circumstances.

Question
1.2. Does the company have a comprehensive anti-bribery and corruption policy that explicitly applies to both of the following categories: a) All employees, including staff and leadership of subsidiaries and other controlled entities; b) All board members, including non-executive directors.
Score
2
Comments
<p>There is evidence that the company publishes a clear anti-bribery and corruption policy, which specifically prohibits bribery, payments to public officials, commercial bribery, and facilitation payments. This policy clearly applies to all employees and board members as described in (a) and (b) in the question.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf <p>[p.6] Who does this Code of Conduct apply to?</p> <p>Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders. The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal. Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code. We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p> <p>[p.26] Bribery, gifts and entertainment Our standard We will never offer, give or receive bribes or inducements for any purpose, either directly or through a third party. What it means to me We do not tolerate or condone bribery or other forms of corrupt activity. Even the suggestion of corruption may damage the reputation of the Company and affect our ability to do business. It may also bring the personal integrity of individuals into question. Employees, advisers, consultants, distributors, joint venture partners, offset and industrialisation partners, suppliers or anyone else who may be acting on the Company's behalf must not offer, give or receive bribes or corrupt payments. A bribe includes any direct or indirect payment, benefit or gift offered, given or received with the purpose of improperly influencing a decision or outcome. The payment does not necessarily have to be of large value. It could be as simple as a lunch or an invitation to a sporting event. Payments, gifts or other benefits provided to or through a third party, such as a decision maker's relative or business partner, could also be a bribe under certain circumstances.</p> <p>We will not offer, give or receive any payment, benefit or gift which is intended to be, or may be construed as, a bribe. Each of us is responsible for knowing what our business guidance allows and what the law permits in our own country of operation regarding gifts and benefits given to or received from government officials, customers, suppliers or other third parties. If we are unsure then we should always seek guidance before taking further action. When required, seek approval for a gift or hospitality and ensure it is recorded in the relevant gifts and hospitality register.</p> <p>[p.28] Facilitation payments Our standard We will not make facilitation payments and will seek to eliminate the practice in countries in which we do business.</p> <p>What it means to me A facilitation payment is a low monetary value payment or gift given (usually to a government official) to speed up a procedure or to encourage one to be performed. Under UK law, and under the laws of many jurisdictions in which we do business, facilitation payments are considered to be bribes. The concept of a facilitation payment does not</p> </p>

include fees required to be made by law such as the payment of a filing fee for a legal document, nor does it include lawful expediting payments that are covered by a formal fee schedule and for which a receipt is provided.

The Company's position on such payments is clear:

- we will not make facilitation payments;
- we will not allow others to make them on our behalf;
- we will report any requests to make facilitation payments; and
- we will take action to combat the practice of facilitation payments.

Extortion We recognise that in some countries, and in certain high-risk circumstances, an employee's welfare and safety could be at risk if they do not make a payment to an official or third party when one is demanded. If you find yourself in this situation, you should never put yourself or others in danger. Make the payment and report it promptly to your manager who should, in turn, quickly inform the Legal department. The Company will not take disciplinary action against an employee who makes such a payment in the good-faith belief that they will be at risk if they do not do so, and reports the incident promptly.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.12] 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.

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf

[p.29] Anti-bribery and anti-corruption

We have well-established anti-bribery and anti-corruption policies aimed at ensuring adherence to the associated legal and regulatory requirements in light of the bribery and corruption risk faced by the Company. Our commitment to comply with all applicable laws and regulations, including those addressing anti-bribery and anti-corruption, and our commitment never to offer, give or receive bribes or inducements is also clearly set out in our Code of Conduct.

The policies referred to above include the following:

- Advisers Policy – which governs the appointment, management and payment of third parties who are engaged to assist with our sales and marketing activities or the strategic development of the Group;
- Gifts and Hospitality Policy – which governs the offering, giving or receipt of gifts or hospitality;
- Conflict of Interest Policy – designed to ensure that personal conflicts of interest do not impair employees' judgement and damage the Group's integrity and interests; and
- Facilitation Payments Policy – designed to ensure that Facilitation Payments are not paid and that the Group and its employees seek to eliminate the practice of facilitation payments.

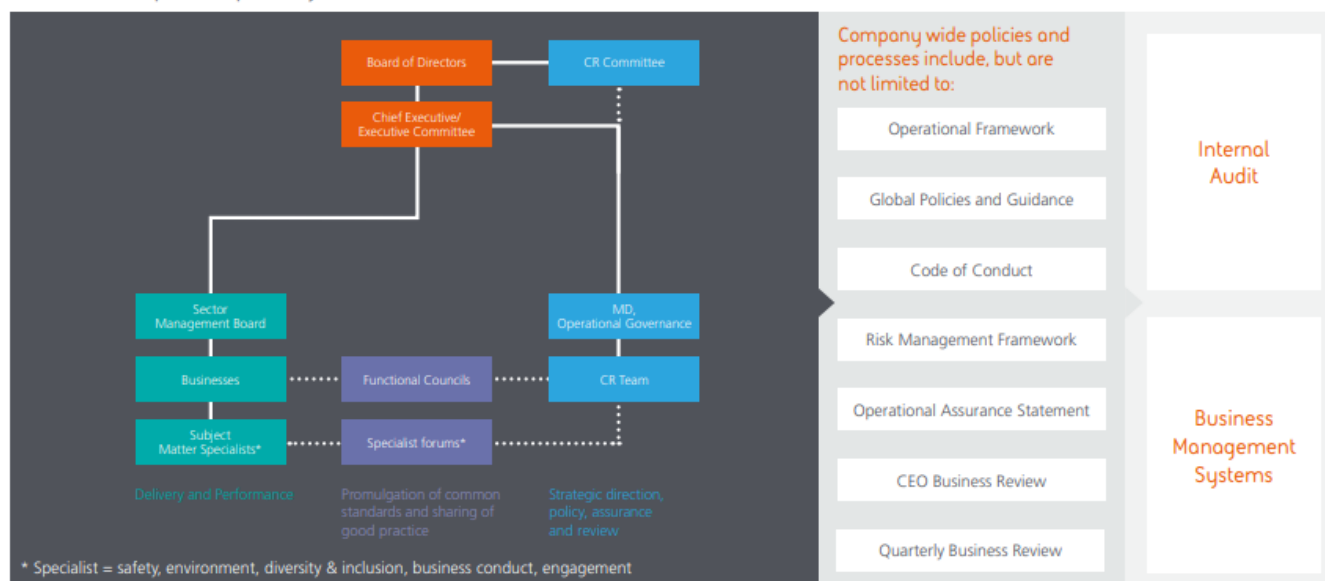
Other policies, including our Finance Policy, Fraud Prevention Policy, Export Control Policy, Lobbying, Political Donations and Other Political Activity Policy, Offset Policy and Procurement Policy include measures to address bribery and corruption risks.

Question
1.3. Does the board or a dedicated board committee provide oversight of the company's anti-bribery and corruption programme?
Score
2
Comments
<p>Based on publicly available information, there is evidence that a designated board committee – the Corporate Responsibility Committee – is ultimately responsible for oversight of the company's anti-bribery and corruption programme. There is evidence that this includes reviewing reports from management on the programme's performance, along with the results of audits, and it is clear that the committee has the authority to ensure that required changes are made.</p>
Evidence
<p>[21] How Our Business Works – Governance Framework (webpage) Accessed 18/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/how-our-business-works/governance-framework Corporate responsibility is a key enabler for our business, supporting sustainable long-term performance by managing non-financial risks that can impact reputation and shareholder value.</p> <p>The Chief Executive Officer (CEO) is responsible for ensuring we meet our own standards and the expectations of our stakeholders. He is supported by the Managing Director Operational Governance with guidance and oversight from the Board via the Corporate Responsibility Committee. The performance review process is used to flow down corporate responsibility objectives through the Company.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.4] Governance & Standards</p> <p>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.</p> <p>[p.5] Oversight of anti-corruption programme</p> <p>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 Managing Director of Operational Governance. The Committee meets as part of the Board's annual schedule of meetings.</p> <p>The Terms of Reference of the CR Committee outlines their duties to oversee the Company's strategy on anti-corruption, including:</p> <ul style="list-style-type: none"> > 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.

Reporting oversight of the employee ethics programme sits with the MD of Operational Governance 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 Operational Governance 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

Oversight of anti-corruption programme – continued



https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/cr-committee-terms-of-reference-december-2018.pdf

1.2. All members of the Committee shall be non-executive Directors of the Company who are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement. The Chairman of the Board shall not be a member of the Committee.

[p.2] 7. Duties

7.1. Assist the Board in overseeing the development of strategy on all matters of responsible business conduct to include: safety; sustainability and environmental matters, ethics and behaviours; diversity and inclusion, anti-bribery and corruption and other workplace standards described within the Company's Global Code of Conduct.

7.2. Review the internal control policies and conduct and performance of the Company relating to corporate responsibility. Review the effectiveness of these policies and relevant risk management procedures. The Managing Director Operational Governance shall have direct access to the Chairman of the Committee.

7.3. Ensure that the Global Code of Conduct is regularly reviewed and reflects best practice for such codes.

[...]

7.8. Review the operation of the mechanisms in place for employees to obtain advice on responsible behaviour or raise and report concerns, in confidence, where there may be possible improprieties. This will include the operation of the Company's Ethics Helpline.

[p.3] 7.11. Review CR related reports from Internal Audit and assess management responsiveness to the findings. Monitor the role and effectiveness of the Company's Internal Audit function in relation to corporate responsibility and monitor the development of the capability and capacity of Internal Audit to perform its role with regards to corporate responsibility assurance. The Committee and the Audit Committee shall hold at least one joint meeting a year to review and approve a programme of internal audit work each year aimed at assessing the effectiveness of policies and processes relating to key areas of responsible behaviour.

[...]

8. Authority

8.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.

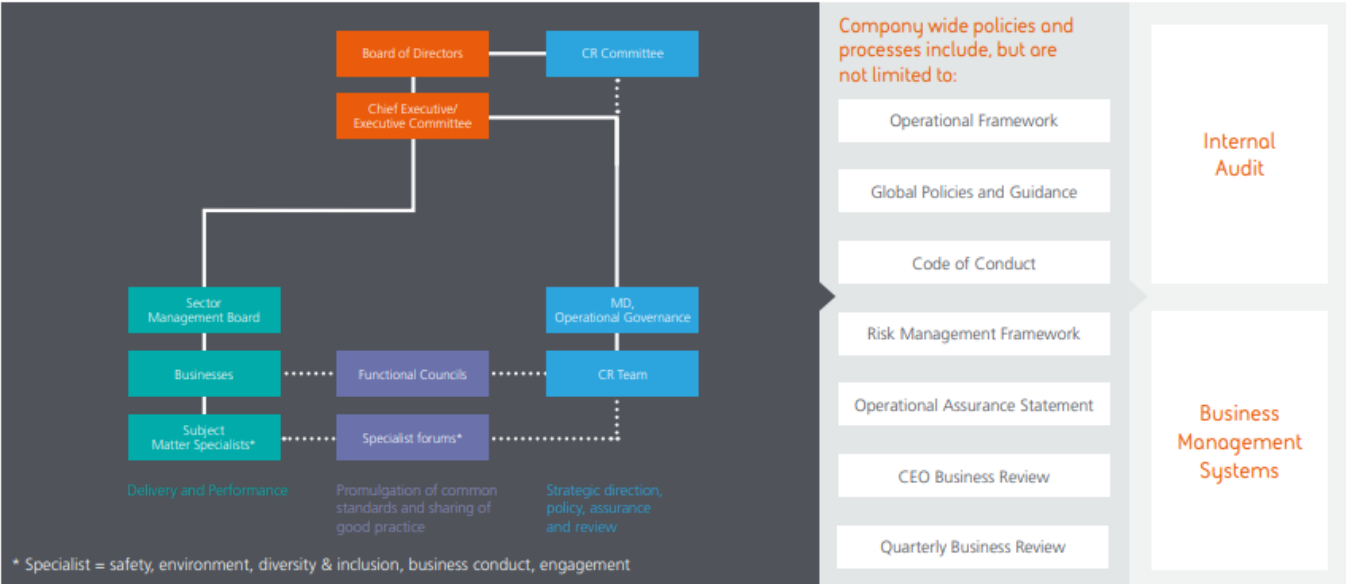
8.2. The Committee shall oversee, on behalf of the Board, any investigations concerning matters detailed in these Terms of Reference. 8.3. In connection with its duties and at the Company's expense, the Committee may obtain professional advice on any matters covered by these Terms of Reference.

Question
1.4. Is responsibility for implementing and managing the company's anti-bribery and corruption programme ultimately assigned to a senior executive, and does he or she have a direct reporting line to the board or board committee providing oversight of the company's programme?
Score
2
Comments
<p>Based on publicly available information, there is evidence that a designated senior executive has ultimate responsibility for implementing and managing the company's anti-bribery and corruption programme. There is evidence that this person has a direct reporting line to the board committee that provides oversight of the anti-bribery and corruption programme. There is also evidence of reporting and feedback activities between this person and the board committee as part of the company's reporting structure.</p>
Evidence
<p>[21] How Our Business Works – Governance Framework (webpage) Accessed 18/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/how-our-business-works/governance-framework Corporate responsibility is a key enabler for our business, supporting sustainable long-term performance by managing non-financial risks that can impact reputation and shareholder value.</p> <p>The Chief Executive Officer (CEO) is responsible for ensuring we meet our own standards and the expectations of our stakeholders. He is supported by the Managing Director Operational Governance with guidance and oversight from the Board via the Corporate Responsibility Committee. The performance review process is used to flow down corporate responsibility objectives through the Company.</p> <p>[2] Corporate Responsibility Committee – Terms of Reference (Document) Accessed 01/10/2019 https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/cr-committee-terms-of-reference-december-2018.pdf [p.2] 7. Duties 7.1. Assist the Board in overseeing the development of strategy on all matters of responsible business conduct to include: safety; sustainability and environmental matters, ethics and behaviours; diversity and inclusion, anti-bribery and corruption and other workplace standards described within the Company's Global Code of Conduct. 7.2. Review the internal control policies and conduct and performance of the Company relating to corporate responsibility. Review the effectiveness of these policies and relevant risk management procedures. The Managing Director Operational Governance shall have direct access to the Chairman of the Committee.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.5] 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.</p> <p>He is supported by the Group General Counsel and Managing Director (MD) of Operational Governance and their respective teams in upholding the standards set out within our anticorruption programme and the Code of Conduct and who advise on strategy and direction and liaise with the businesses teams to ensure delivery.</p> <p>Reporting oversight of the employee ethics programme sits with the MD of Operational Governance 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 Operational Governance or, for BAE Systems Inc. the Inc. General Counsel. Both teams work together to roll out a global programme.</p> <p>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</p>

[p.6]

Oversight of anti-corruption programme – continued

Governance of Corporate Responsibility



2. Internal Controls

Question						
2.1. Is the design and implementation of the anti-bribery and corruption programme tailored to the company based on an assessment of the corruption and bribery risks it faces?						
Score						
2						
Comments						
Based on publicly available information, there is evidence that the company has a formal bribery and corruption risk assessment procedure that is used to inform the design of the anti-corruption and bribery programme. The company indicates that the results of the assessments are reviewed at board level twice a year. There is evidence that the results of such reviews are used to develop tailored mitigation plans and to update specific parts of the company's anti-bribery and corruption programme.						
Evidence						
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.7] Operational Framework (OF)</p> <p>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.</p> <p>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:</p> <table><tr><td>Code of Conduct 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.</td><td>Responsible Trading Principles We do not compromise on the way we do business and here we mandate a principles-based approach to our business activity.</td><td>Internal controls 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.</td><td>Risk framework This is how we identify, analyse, evaluate and mitigate risk.</td><td>Workplace and operational environment 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.</td><td>Delegated authorities 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.</td></tr></table>	Code of Conduct 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.	Responsible Trading Principles We do not compromise on the way we do business and here we mandate a principles-based approach to our business activity.	Internal controls 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.	Risk framework This is how we identify, analyse, evaluate and mitigate risk.	Workplace and operational environment 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.	Delegated authorities 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.
Code of Conduct 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.	Responsible Trading Principles We do not compromise on the way we do business and here we mandate a principles-based approach to our business activity.	Internal controls 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.	Risk framework This is how we identify, analyse, evaluate and mitigate risk.	Workplace and operational environment 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.	Delegated authorities 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.	
<p>[p.8] 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</p>						

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.

[p.9] 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.

[p.10] 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.

[p.20] 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 an 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

We continuously improve and evolve our anti-corruption programme

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.29] Anti-bribery and anti-corruption

We have well-established anti-bribery and anti-corruption policies aimed at ensuring adherence to the associated legal and regulatory requirements in light of the bribery and corruption risk faced by the Company. Our commitment

to comply with all applicable laws and regulations, including those addressing anti-bribery and anti-corruption, and our commitment never to offer, give or receive bribes or inducements is also clearly set out in our Code of Conduct.

[...]

Other policies, including our Finance Policy, Fraud Prevention Policy, Export Control Policy, Lobbying, Political Donations and Other Political Activity Policy, Offset Policy and Procurement Policy include measures to address bribery and corruption risks.

Risk-based due diligence procedures have been implemented to address bribery, corruption and other financial and non-financial risk, and our Policies include processes for risk-based internal and external approvals, ongoing monitoring and repeat due diligence.

For the principal risks relating to compliance with anti-bribery and anti-corruption regulations and how the risk is mitigated, see the laws and regulations risk description on page 70.

[p.66] Board

The Board has overall responsibility for determining the nature and extent of the risk the Group is willing to take, and ensuring that risks are managed effectively across the Group. Risk 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:

Audit Committee

The Audit Committee monitors the Group'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 Group's system of internal control policies, and procedures for the identification, assessment and reporting of risk.

The Corporate Responsibility Committee monitors the Group's performance in managing the Group's significant non-financial risks, including those arising in respect of business conduct, health and safety, and the environment. The Committee reports its findings to the Board on a regular basis.

[p.70] 5. Laws and regulations

The Group is subject to risk from a failure to comply with laws and regulations.

Description	Impact	Mitigation
5. Laws and regulations The Group is subject to risk from a failure to comply with laws and regulations.		
The Group operates in a highly-regulated environment across many jurisdictions and is subject, without limitation, to regulations relating to import-export controls, money laundering, false accounting, anti-bribery and anti-boycott provisions. It is important that the Group maintains a culture in which it focuses on embedding responsible business behaviours and that all employees act in accordance with the requirements of the Group's policies, including the Code of Conduct, at all times. Export restrictions could become more stringent and political factors or changing international circumstances could result in the Group being unable to obtain or maintain necessary export licences.	Failure by the Group, or its sales representatives, marketing advisers or others acting on its behalf, to comply with these regulations could result in fines and penalties and/or the suspension or debarment of the Group from government contracts or the suspension of the Group's export privileges, which could have a material adverse effect on the Group. Reduced access to export markets could have a material adverse effect on the Group's future results and financial condition.	BAE Systems has a well-established legal and regulatory compliance structure aimed at ensuring adherence to regulatory requirements and identifying restrictions that could adversely impact the Group's activities. Internal and external market risk assessments form an important element of ongoing corporate development and training processes. A uniform global policy and process for the appointment of advisers engaged in business development is in effect. BAE Systems continues to reinforce its ethics programme globally, driving the right behaviours by supporting employees in making ethical decisions and embedding responsible business practices.

Question
2.2. Is the company's anti-bribery and corruption programme subject to regular internal or external audit, and are policies and procedures updated according to audit recommendations?
Score
2
Comments
<p>There is evidence that the company's entire anti-bribery and corruption programme is subject to a regular audit process to ensure the programme is consistent with best practice and the business risks facing the company. The company indicates that this includes provisions for continuous improvement, supplemented by internal and external audits; the last external audit was conducted by Deloitte in 2018. There is also evidence that high-level audit findings are presented to the board, with clear ownership assigned to units for planned updates and improvements to the anti-bribery and corruption programme.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf</p> <p>[p.5] The Terms of Reference of the CR Committee outlines their duties to oversee the Company's strategy on anti-corruption, including:</p> <ul style="list-style-type: none"> > 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. <p>[p.7] 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.</p> <p>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.</p> <p>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.</p> <p>[p.8] 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.</p> <p>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</p>

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.

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.66] Board

The Board has overall responsibility for determining the nature and extent of the risk the Group is willing to take, and ensuring that risks are managed effectively across the Group. Risk 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:

Audit Committee

The Audit Committee monitors the Group'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 Group's system of internal control policies, and procedures for the identification, assessment and reporting of risk.

Corporate Responsibility Committee

The Corporate Responsibility Committee monitors the Group's performance in managing the Group's significant non-financial risks, including those arising in respect of business conduct, health and safety, and the environment. The Committee reports its findings to the Board on a regular basis.

[4] Audit Committee – Terms of Reference (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/audit-committee-terms-of-reference-december-2018.pdf>

[p.3] 7. Duties

7.9 Approve an annual programme of internal audit work aligned to the key risks of the business including, in conjunction with the Corporate Responsibility Committee, a ...

[p.4] ... programme aimed at assessing the effectiveness of policies and processes relating to key areas of ethical and reputational risk. Receive reports on progress against the internal audit programme and a summary of all reports produced by the internal audit function.

[2] Corporate Responsibility Committee – Terms of Reference (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/cr-committee-terms-of-reference-december-2018.pdf>

[p.3] 7.11. Review CR related reports from Internal Audit and assess management responsiveness to the findings. Monitor the role and effectiveness of the Company's Internal Audit function in relation to corporate responsibility and monitor the development of the capability and capacity of Internal Audit to perform its role with regards to corporate responsibility assurance. The Committee and the Audit Committee shall hold at least one joint meeting a year to review and approve a programme of internal audit work each year aimed at assessing the effectiveness of policies and processes relating to key areas of responsible behaviour.

[...]

7.13. Review regularly the requirement for external assurance of corporate responsibility related matters. The Committee may appoint from time to time external third parties to carry out external assurance of the effectiveness of corporate responsibility related policies, processes and initiatives and the accuracy of corporate responsibility reporting.

[5] Deloitte assurance statement 2018 (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-deloitte-assurance-statement>

Deloitte assurance statement 2018

Independent public assurance statement by Deloitte LLP to BAE Systems plc on the Corporate Responsibility (CR) section of the BAE Systems plc website for the year ended 31 December 2018, corresponding performance indicators at pages 24, 29, 30, 31 and 34 of the BAE Systems 2018 Annual Report and selected pages of the standalone CR Report.

What we looked at: scope of our work

BAE Systems plc ('BAE Systems') engaged us to perform limited assurance procedures on the Group level compilation of selected corporate responsibility (CR) performance indicators for the year ended 31 December 2018.

[23] 2018 Ethics Data (Webpage)

Accessed 21/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data>

2018 Ethics data

The following 2018 Corporate Responsibility (CR) data streams have been externally assured by Deloitte LLP for BAE Systems CR web site, indicated with ¹ for limited level assurance.

Their assurance statement can be viewed on: www.baesystems.com/deloitteassurancestatement. The assurance standard used is ISAE 3000 (revised) limited level assurance. The performance indicators below are also included within the BAE Systems 2018 Annual Report (pages 24, 29, 30, 31 and 34).

Question												
2.3. Does the company have a system for tracking, investigating and responding to bribery and corruption allegations or incidents, including those reported through whistleblowing channels?												
Score												
2												
Comments												
<p>There is evidence that the company publicly commits to investigating incidents promptly, independently and objectively. There is evidence that the company takes steps to ensure the independence of its investigations. The company commits to putting in place remediation plans and reporting investigative findings to senior management and the board. For whistleblowing cases, there is evidence that the company has a procedure in place that stipulates documentation and actions to be taken at every step of the case, from receipt to final outcome, and it commits to ensure whistleblowers are informed of the outcome if they so wish.</p> <p>In addition, there is evidence that a senior central body receives and reviews summary information of all incidents and their status in the organisation and its subsidiaries. There is evidence that the data is reviewed on a quarterly basis.</p>												
Evidence												
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 31/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.3] Introduction – Committed to responsible and ethical business conduct</p> <div><p>Oversight and monitoring</p><table><tr><td>> Board level review via CR Committee and Audit Committee</td><td>> Business/ market review - via line leaders and Executive Committee via CBR/Quarterly Business Review</td><td>> Business leaders - quarterly ethics pack</td><td>> Dedicated legal and specialist anti-corruption teams embedded across the business</td></tr><tr><td>> CEO review - via Chief Executive Business Review (CBR) process</td><td>> Executive Committee and line leaders - quarterly ethics dashboard</td><td>> Ethics Committees - have oversight of ethics and review ethics cases and quarterly data</td><td>> Community Investment Approvals</td></tr><tr><td>> Adviser Policy Monitors</td><td></td><td></td><td>> Gifts and Hospitality Approvals</td></tr></table></div> <p>[p.5] 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.</p> <p>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.</p> <p>The Terms of Reference of the CR Committee outlines their duties to oversee the Company's strategy on anti-corruption, including:</p> <ul style="list-style-type: none">> 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. <p>[p.8] 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.</p>	> Board level review via CR Committee and Audit Committee	> Business/ market review - via line leaders and Executive Committee via CBR/Quarterly Business Review	> Business leaders - quarterly ethics pack	> Dedicated legal and specialist anti-corruption teams embedded across the business	> CEO review - via Chief Executive Business Review (CBR) process	> Executive Committee and line leaders - quarterly ethics dashboard	> Ethics Committees - have oversight of ethics and review ethics cases and quarterly data	> Community Investment Approvals	> Adviser Policy Monitors			> Gifts and Hospitality Approvals
> Board level review via CR Committee and Audit Committee	> Business/ market review - via line leaders and Executive Committee via CBR/Quarterly Business Review	> Business leaders - quarterly ethics pack	> Dedicated legal and specialist anti-corruption teams embedded across the business									
> CEO review - via Chief Executive Business Review (CBR) process	> Executive Committee and line leaders - quarterly ethics dashboard	> Ethics Committees - have oversight of ethics and review ethics cases and quarterly data	> Community Investment Approvals									
> Adviser Policy Monitors			> Gifts and Hospitality Approvals									

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.

[p.23] 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.

[p.24] 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.

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.

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.28] The global ethics conference focused on providing our Ethics Officers with additional training on supporting people who raise concerns, aiming to further normalise the Speak Up process. The US conference provided our Ethics Officers with training on the importance of culture and the skills related to investigations.

[p.29] All enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee.

[1] Code of Conduct (Document)

Accessed 01/10/2019

<https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf>

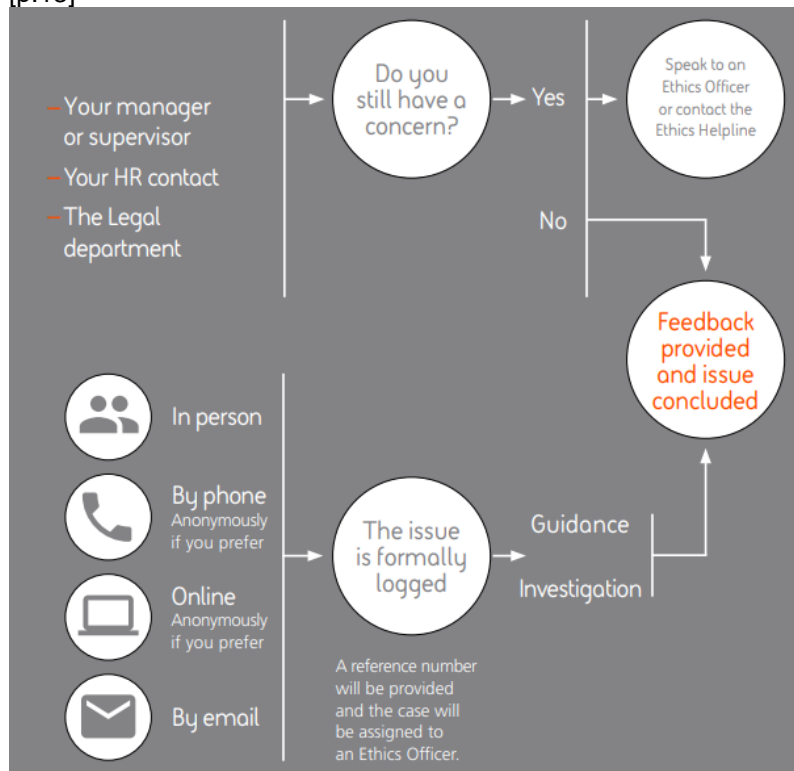
[p.7] What is the Company committing to do?

The Company commits to supporting employees to do the right thing by:

[...] –responding to issues and concerns and addressing them where possible

[p.12] Raising issues and concerns can result in a range of outcomes, including changes to governance, practices and training. If it is found that an individual is in breach of our Code of Conduct, they may face disciplinary action, which could include dismissal.

[p.13]



[p.14] Q. Do I have to give my name when I report via the Ethics Helpline?

A. We would prefer that you identify yourself, as this helps us to assess the concerns you are raising, provide the best advice, take action to deal with your concerns and provide you with feedback. If you still want to keep your report anonymous, this can be done by using the phone or website reporting options. If you choose to take this approach, and do not provide contact details, you can anonymously check on the status of your report via the Helpline by using the reference number provided to you. Checking back in this way allows the investigating team to post requests for additional information and also allows them to respond to any questions you may have.

[...]

Q. Who in the Company will know about my issue or concern?

A. Your details will be known only to those involved in investigating and addressing your issue or concern.

Question
2.4. Does the company have appropriate arrangements in place to ensure the quality of investigations?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company takes steps to assure itself of the quality of its internal investigations, including those reported through whistleblowing channels. The company clearly indicates that staff tasked with conducting investigations are properly trained to perform the function. There is evidence that complaints about the handling of concerns or investigations can be made to the company's human resources department. In addition, there is evidence that the company reviews its investigations procedure at least every three years.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.23] Employee support and advice</p> <p>[...] 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.</p> <p>[p.24] Employee support and advice – continued</p> <p>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.</p> <p>Investigation procedures are reviewed for update every three years.</p> <p>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.</p> <p>All enquiries requiring investigation are reviewed and reported to Ethics Committees.</p> <p>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.</p> <p>If an employee is not happy with the outcome of a call or investigation, they can separately raise a grievance via HR.</p> <p>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.</p> <p>Our Ethics Helpline</p> <ul style="list-style-type: none"> > 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.

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.28] Training our Ethics Officers

Each year, BAE Systems holds two two-day forums (one in the US, and a global one in the UK) to provide training and updates for our Ethics Officers.

In 2018, these included introductions from Jerry DeMuro, President and Chief Executive Officer of BAE Systems Inc. and Charles Woodburn, Chief Executive of BAE Systems stressing the importance of the role our Ethics Officers play.

The global ethics conference focused on providing our Ethics Officers with additional training on supporting people who raise concerns, aiming to further normalise the Speak Up process. The US conference provided our Ethics Officers with training on the importance of culture and the skills related to investigations.

[p.29] We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice. All enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee.

[13] Supplier Principles (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf>

[p.14] Speaking Up Continued

Q. What will happen when I phone the Ethics Helpline?

A. Your call will be answered by a trained member of staff from an external, independent company which specialises in operating confidential telephone reporting systems. You will need to tell them that your call relates to BAE Systems.

Written details of your conversation will then be confidentially reported to BAE Systems. Your call will not be recorded.

Question
2.5. Does the company's investigative procedure include a commitment to report material findings of bribery and corruption to the board and any criminal conduct to the relevant authorities?
Score
2
Comments
<p>Based on publicly available information, the company has an escalation procedure to report material findings of bribery and corruption from investigations to the board. There is also a commitment to ensuring that the disclosure of criminal offences to relevant authorities is evaluated and acted upon if found necessary. Although the company does not explicitly reference a senior individual responsible for ensuring such disclosures, there is sufficient evidence in the company's publicly available information that this role would be filled by the Group General Counsel (who also has a direct reporting line to the CEO).</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.5] 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.</p> <p>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.</p> <p>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.</p> <p>[p.24] 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.</p> <p>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.</p> <p>All enquiries requiring investigation are reviewed and reported to Ethics Committees.</p>

Question
2.6. Does the company publish high-level results from incident investigations and disciplinary actions against its employees?
Score
1
Comments
<p>There is evidence that the company publishes high-level data from ethical-related incidents and investigations involving company employees at all levels. This data includes the number of reports received, including the number received anonymously, and the number of disciplinary actions as a result of investigation findings. The data is published annually.</p> <p>However, the company receives a score of '1' because there is no evidence that it publishes information on the number of investigations launched as a result of the reports or enquiries received.</p>
Evidence
<p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf</p> <p>[p.29] We collect data on ethics enquiries and dismissals for reasons relating to unethical behaviour (see opposite). In 2018, there were 1,286 ethics enquiries, an increase of 0.5% on 2017. This positive trend reflects our efforts to encourage our people to speak up and we will continue to communicate to our employees the methods for making contact. Our 2018 anonymity rate of 28% compares favourably with international benchmarks.</p> <p>In 2018, 48% of the ethics enquiries received were requests for guidance and advice, which we believe reflects our employees coming to us before a situation has worsened and requires investigation.</p> <p>[...] All enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee.</p> <p>Total ethics enquiries¹</p> <div><div>2018</div><div>1,286</div><div>2017</div><div>1,280</div></div> <p>Anonymity rate</p> <div>28% (2017 24%)</div> <p>2018 ethics enquiries by type¹</p> <div><div>1</div><div>615</div><div>2</div><div>227</div><div>3</div><div>179</div><div>4</div><div>128</div><div>5</div><div>137</div></div> <div><div>1</div><div>Guidance and advice</div><div>2</div><div>Employee relations and conduct</div><div>3</div><div>Management practices</div><div>4</div><div>Accounting charges practices</div><div>5</div><div>Other</div></div>

Dismissals for reasons relating to unethical behaviour²



[23] 2018 Ethics Data (Webpage)

Accessed 21/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data>

Ethics

Employee and third party ethics enquiries and dismissals for reasons relating to unethical behaviour.

Total ethics enquiries¹

Employees can speak up via our network of over 160 Ethics Officers or by contacting our 24-hour Ethics Helpline by phone, email or an external website to ask for support or report concerns, anonymously if required. In 2018, there were a total of 1,286 ethics enquiries. All concerns raised were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee. The Group continues to encourage employees to speak up, so we can address issues or behaviours we consider unacceptable.

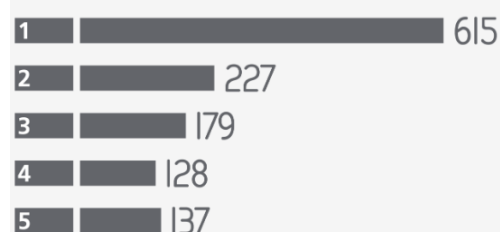
Total ethics enquiries¹



All Enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems Inc, to the Ethics Review Oversight Committee.

Ethics enquiries by type

2018 ethics enquiries by type¹



Almost half of the ethics contacts are requests for guidance and advice. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice.

Dismissals for reasons relating to unethical behaviour²



If an employee is found to be in breach of the Group's Code of Conduct or any other relevant policies, appropriate disciplinary action, which may result in dismissal, is taken. In 2018, 2192 employees were dismissed for reasons relating to breaches of the Group's standards and policies, primarily for personnel and workplace issues.

3. Support to Employees

Question
3.1. Does the company provide training on its anti-bribery and corruption programme to all employees across all divisions and geographies, and in all appropriate languages?
Score
2
Comments
<p>There is evidence that the company provides training to its employees on the basic principles of its Code of Conduct, which includes scenario-based anti-bribery and corruption issues and covers the whistleblowing options available to employees. There is evidence that training is provided to all employees across all divisions and regions of operation, and in all appropriate languages. The company indicates that employees must refresh their training on the anti-bribery and corruption programme annually.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.7] What is the Company committing to do? The Company commits to supporting employees to do the right thing by:</p> <p>[...]</p> <ul style="list-style-type: none"> – supporting employees with appropriate training, guidance and information; <p>[...]</p> <p>Responsible behaviour</p> <ul style="list-style-type: none"> – complying with all applicable laws and regulations; – timely completion of all mandated training; <p>[p.8] Accountability</p> <ul style="list-style-type: none"> – supporting your team in complying with all applicable laws and regulations; – supporting your team in the timely completion of mandatory training; <p>[p.12] Raising issues and concerns can result in a range of outcomes, including changes to governance, practices and training. If it is found that an individual is in breach of our Code of Conduct, they may face disciplinary action, which could include dismissal.</p> <p>[p.60] The Company will provide training to all employees and specialised training to those employees who are involved in export and import, or who regularly have contact with foreign persons. If you have any questions or concerns about whether your activities may be subject to export restrictions, you must consult your Export Control department.</p> <p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.25] Employee engagement</p> <p>Employee engagement is a primary focus for our leaders and managers – connecting employees to our strategy and purpose, empowering them to contribute to improving business performance and creating an environment in which everyone can fulfil their potential.</p> <p>We keep employees informed about what is happening across the business through our intranet and email, podcasts, newsletters, and leadership blogs and briefings.</p>

In 2018, we conducted a Group-wide survey to measure employees' views on key engagement factors and our current ways of working. The results of this survey will help us to build on our strengths and focus on areas where we can further evolve our ways of working to support future success.

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

We encourage employees to become shareholders in BAE Systems and, in some markets, offer share schemes to support this.

We seek to maintain constructive relationships with trade unions in Australia and the UK, and labour unions in the US. 55% of our UK employees are members of a trade union with 69% covered by a collective bargaining agreement. In the UK, we retain excellent relationships with the main organisations involved and organise regular meetings through our Corporate Consultation Committee. We have structures in place to work with trade union representatives in our local markets, where it is appropriate and legally acceptable.

Employee Engagement groups exist across the businesses, in order to provide engagement forums for those not covered by collective bargaining.

[p.28] Training our Ethics Officers

Each year, BAE Systems holds two two-day forums (one in the US, and a global one in the UK) to provide training and updates for our Ethics Officers.

In 2018, these included introductions from Jerry DeMuro, President and Chief Executive Officer of BAE Systems Inc. and Charles Woodburn, Chief Executive of BAE Systems stressing the importance of the role our Ethics Officers play.

The global ethics conference focused on providing our Ethics Officers with additional training on supporting people who raise concerns, aiming to further normalise the Speak Up process. The US conference provided our Ethics Officers with training on the importance of culture and the skills related to investigations.

[p.29] Trust and Integrity

[...]

We work to build a culture where our people are empowered to make the right decisions and know where to go to seek help or guidance. Our Code of Conduct sets out clear expectations on ethical conduct and we offer training and support to help people understand the right thing to do.

During 2018, we rolled out face-to-face ethics training that covered realistic, issue based scenarios. This training, delivered by line managers to their teams across the Group, was designed to stimulate conversations around difficult issues faced by employees in their workplace. Certain employees received additional training according to their role, such as anti-bribery and anti-corruption, and export control training.

[p.30] 2019 priorities

We will continue to drive towards a world-class level of safety performance; focus on the management and reduction of safety risk; and drive a strong safety culture through communication, awareness and visible leadership. We will target a 10% reduction in the Recordable Accident Rate.

We will roll out our annual Business Conduct scenario-based training to all employees. This forms part of our continuing efforts to build a culture of responsible behaviour and ethical decision-making.

[8] Trust and Integrity – Training and awareness (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/trust-and-integrity/training-and-awareness>

We depend on our employees to comply with our global Code of Conduct, implement our policies on business conduct and live up to our Values of Trusted, Innovative and Bold.

The Code of Conduct and related training programmes aim to provide support in understanding the standards of business conduct that everyone is expected to follow, giving practical guidance to help deal with ethical issues and

identify where to ask for help. Regular and engaging training is a vital part of being a responsible business and ensuring everyone understands their responsibility when it comes to ethical behaviour

Our Code of Conduct is supported by regular refresher training mandated for all employees. Training is scenario based and carried out in a team environment. Line managers pose ethical scenarios to team members to discuss. Training scenarios cover ethical issues that have arisen across the company, allowing employees to identify the ethical issues at play and explore the options for resolving them. Training is designed to give employees practical guidance on how to deal with situations that may arise in their day to day activities. Examples of our training scenario cards from our 2016 – 2019 employee training can be found in the right hand links on this page.

Code of Conduct training is also supported by our Essential Training Framework across the Company. Essential Training supports compliance and adherence to policy. Depending on an employee's role within the company, they are required to undertake regular training that the company deems as essential. For example, specific training modules have been introduced for senior executives and business leaders covering our policies on Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest.

Training is regularly reviewed and revised to incorporate current and emerging issues and risks, such as social media and security of information. Training completion to individual employee level is monitored and reported against to senior management to ensure requirements are met.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.13] 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

[p.22] 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.

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 including for senior executives and business leaders covering Export Controls, Integrity in Business Dealings and Advisers.

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

Question
3.2. Does the company provide tailored training on its anti-bribery and corruption programme for at least the following categories of employees: a) Employees in high risk positions, b) Middle management, c) Board members.
Score
2
Comments
<p>There is evidence that the company provides tailored training on its anti-bribery and corruption programme for employees in certain positions, with specific reference to all three categories of individuals referred to in the question. There is evidence that all employees, including those in high risk roles such as import and export, receive annual ethics training.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.22] 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.</p> <p>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.</p> <p>Our speak up model (see page 23), promotes our Ethics Officer network and Ethics Helpline, as places to go for guidance and support.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.60] The Company will provide training to all employees and specialised training to those employees who are involved in export and import, or who regularly have contact with foreign persons. If you have any questions or concerns about whether your activities may be subject to export restrictions, you must consult your Export Control department.</p>

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.28] The global ethics conference focused on providing our Ethics Officers with additional training on supporting people who raise concerns, aiming to further normalise the Speak Up process. The US conference provided our Ethics Officers with training on the importance of culture and the skills related to investigations.

[p.29] Trust and Integrity

[...]

During 2018, we rolled out face-to-face ethics training that covered realistic, issue based scenarios. This training, delivered by line managers to their teams across the Group, was designed to stimulate conversations around difficult issues faced by employees in their workplace. Certain employees received additional training according to their role, such as anti-bribery and anti-corruption, and export control training.

[8] Trust and Integrity – Training and awareness (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/trust-and-integrity/training-and-awareness>

Our Code of Conduct is supported by regular refresher training mandated for all employees. Training is scenario based and carried out in a team environment. Line managers pose ethical scenarios to team members to discuss. Training scenarios cover ethical issues that have arisen across the company, allowing employees to identify the ethical issues at play and explore the options for resolving them. Training is designed to give employees practical guidance on how to deal with situations that may arise in their day to day activities. Examples of our training scenario cards from our 2016 – 2019 employee training can be found in the right hand links on this page.

Code of Conduct training is also supported by our Essential Training Framework across the Company. Essential Training supports compliance and adherence to policy. Depending on an employee's role within the company, they are required to undertake regular training that the company deems as essential. For example, specific training modules have been introduced for senior executives and business leaders covering our policies on Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest.

Training is regularly reviewed and revised to incorporate current and emerging issues and risks, such as social media and security of information. Training completion to individual employee level is monitored and reported against to senior management to ensure requirements are met.

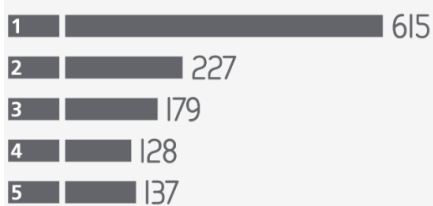
Question
3.3. Does the company measure and review the effectiveness of its anti-bribery and corruption communications and training programme?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company reviews and measures the effectiveness of its anti-bribery and corruption communications and training programme. There is evidence that the company has a system for doing this through employee surveys, face-to-face interviews and by monitoring the number of compliance enquiries. The company commits to conducting and reviewing these measures on an ongoing basis. There is evidence that the results of such reviews are used to update specific parts of the company's anti-bribery and corruption communications and training programme.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.22] 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Training is monitored and recorded in an employee's personnel file</p> <p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.28] Training our Ethics Officers Each year, BAE Systems holds two two-day forums (one in the US, and a global one in the UK) to provide training and updates for our Ethics Officers.</p> <p>In 2018, these included introductions from Jerry DeMuro, President and Chief Executive Officer of BAE Systems Inc. and Charles Woodburn, Chief Executive of BAE Systems stressing the importance of the role our Ethics Officers play.</p> <p>[p.29] Trust and Integrity We work to build a culture where our people are empowered to make the right decisions and know where to go to seek help or guidance. Our Code of Conduct sets out clear expectations on ethical conduct and we offer training and support to help people understand the right thing to do.</p> <p>During 2018, we rolled out face-to-face ethics training that covered realistic, issue based scenarios. This training, delivered by line managers to their teams across the Group, was designed to stimulate conversations around difficult issues faced by employees in their workplace. Certain employees received additional training according to their role, such as anti-bribery and anti-corruption, and export control training.</p>

[23] 2018 Ethics Data (Webpage)

Accessed 21/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data>
Total ethics enquiries¹

All Enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems Inc, to the Ethics Review Oversight Committee.

2018 ethics enquiries by type¹

Almost half of the ethics contacts are requests for guidance and advice. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice.

[25] Corporate Responsibility Summary 2018 (Document)

Accessed 30/01/2020

<https://www.baesystems.com/en/download-en/20190508124553/1434632200604.pdf>

[p.19] Speaking up All employees are made aware of the Ethics Helpline which allows them to raise a concern via email, online or a 24/7 multi-lingual phone line. In 2018, there were 1,2861 ethics enquiries, an increase of 0.5% of the number compared to 2017, and our 2018 anonymity rate of 28% compares favourably with international benchmarks. We believe the continued year-on-year increase is a positive trend reflecting the success of our efforts to encourage people to speak up, and we will continue to widely communicate the methods of making contact. In 2018, 48% of the ethics enquiries received were requests for guidance and advice, which we believe reflects our employees coming to us before a situation has worsened and requires investigation. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice

[p.20] Anonymity rates are a good indicator of employee sentiment, for example, businesses with higher anonymity rates indicate a need to address concerns about the consequences of public comment. Both the Executive Committee and the CR Committee review the quarterly outputs of the ethics dashboard. In addition, the Ethics Review Committee (BAE Systems plc) and the Ethics Review Oversight Committee (BAE Systems, Inc.) receive regular updates.

Question
3.4. Does the company ensure that its employee incentive schemes are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company's incentive schemes incorporate ethical and anti-bribery and corruption principles. The company states that it incentivises employees based on 'how' they achieve these goals, which is assessed as part of performance reviews throughout the year. There is evidence that the company's incentive schemes are based on the achievement of 75% financial and 25% non-financial targets, with a focus on integrity. The company also indicates that employees in its defence businesses are excluded from any sales-based incentives.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.26] Embedding responsible behaviour in employee reward and recognition</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Remuneration</p> <p>Our incentive plans are overseen by our Remuneration Committee, chaired by and made up of non-executive directors.</p> <p>All incentive plans are linked to the collective achievement of objectives across the enterprise globally.</p> <p>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.</p> <p>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.</p> <p>Chairman's Awards</p> <p>Our Chairman's Awards programme recognises individuals and teams for their outstanding contribution to the success of the Company.</p> <p>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.</p>

Question
3.5. Does the company commit to and assure itself that it will support and protect employees who refuse to act unethically, even when it might result in a loss of business?
Score
1
Comments
<p>There is some evidence that the company commits to support and protect employees to act ethically and 'do the right thing' when conducting business. However, the company receives a score of '1' because there is no evidence that it assures itself of its employees' confidence in this statement through anonymised surveys or other clearly stated means.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.12] 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. <p>[p.23] We actively encourage employees globally to speak up if they have a concern.</p> <p>[p.24] 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.</p> <p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.29] We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.3] "For me, it's about being part of a culture where we know what is expected of us and we are guided and supported to make responsible decisions in our work."</p> <p>Charles Woodburn Chief Executive</p> <p>[p.6] As employees of BAE Systems, we are each accountable for doing business – including working with our customers, partners and each other – with integrity and in an honest, open and respectful way.</p> <p>Our Code of Conduct lays out the standards that are expected of each of us, to support us in doing the right thing.</p> <p>[p.7] What is the Company committing to do?</p> <p>[...] –creating a positive, supportive, open work environment where employees feel free to speak up and report issues and concerns;</p> <p>What does the company expect from me?</p> <p>[...] –speaking up – whether it is about an actual issue or concern or something that you have identified as being a potential problem; –supporting your colleagues in doing the right thing; and</p> </p>

Question
3.6. Does the company have a clear policy of non-retaliation against whistleblowers and employees who report bribery and corruption incidents?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company promotes a policy of non-retaliation against anyone who reports apparent misconduct, which includes whistleblowers and employees who report bribery and corruption incidents across the organisation. There is also evidence that this applies to those employed by the group as third parties, suppliers and joint venture partners. There is some evidence that the company assures itself of its employees' confidence in this commitment by monitoring usage data for its whistleblowing channels.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf</p> <p>[p.2] Each one of us must remain committed to building a responsible culture where we can speak up confidently if we have questions or concerns without fear of retaliation. A culture that underpins our Company values of Trusted, Innovative and Bold. A culture we can be proud of.</p> <p>[p.6] Who does this Code of Conduct apply to?</p> <p>Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders. The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal. Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code. We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p> <p>[p.7] What is the Company committing to do? The Company commits to supporting employees to do the right thing by: [...] – not tolerating retaliation or discrimination against those who have raised concerns;</p> <p>Responsible behaviour [...] – never retaliating against colleagues who speak up with an issue or concern – this can lead to disciplinary action, which could include dismissal.</p> <p>[p.8] Accountability [...] – taking action to protect members of your team from retaliation if they speak up about issues or concerns.</p> <p>[p.12] Any breaches of the Code should be raised as soon as possible. However you choose to speak up, it is important that you do not let any concerns go unresolved. If you report apparent misconduct honestly, and in good faith, you will be supported by the Company when you raise your concern. Any retaliation against you will not be tolerated.</p> <p>[p.14] Q. I am not a BAE Systems employee, but wish to raise an issue or concern. Who can I speak to? A. You do not have to be an employee of BAE Systems to contact the Ethics Helpline. We would encourage anyone who has an issue or concern related to BAE Systems to raise it as soon as possible.</p> <p>[p.15] What if I am afraid of retaliation?</p> <p>You are encouraged to seek advice or raise your concerns about business conduct-related issues. We will not tolerate adverse action against anyone for raising an issue or concern in good faith. Adverse action includes</p>

instances where an employee is dismissed, demoted, suspended, threatened, harassed, excluded or deliberately marginalised.

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.

[13] Supplier Principles (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf>

[p.2] We expect our suppliers to provide employees and third parties with access to adequate reporting channels to seek advice or raise legal or ethical concerns without fear of retaliation, including opportunities for anonymous reporting. We expect our suppliers to take action to prevent, detect and correct retaliatory actions.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.12] 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.

[p.24] 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.

[25] Corporate Responsibility Summary 2018 (Document)

Accessed 30/01/2020

<https://www.baesystems.com/en/download-en/20190508124553/1434632200604.pdf>

[p.19] Speaking up All employees are made aware of the Ethics Helpline which allows them to raise a concern via email, online or a 24/7 multi-lingual phone line. In 2018, there were 1,2861 ethics enquiries, an increase of 0.5% of the number compared to 2017, and our 2018 anonymity rate of 28% compares favourably with international benchmarks. We believe the continued year-on-year increase is a positive trend reflecting the success of our efforts to encourage people to speak up, and we will continue to widely communicate the methods of making contact. In 2018, 48% of the ethics enquiries received were requests for guidance and advice, which we believe reflects our employees coming to us before a situation has worsened and requires investigation. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice

[p.20] [...] Anonymity rates are a good indicator of employee sentiment, for example, businesses with higher anonymity rates indicate a need to address concerns about the consequences of public comment. Both the Executive Committee and the CR Committee review the quarterly outputs of the ethics dashboard. In addition, the Ethics Review Committee (BAE Systems plc) and the Ethics Review Oversight Committee (BAE Systems, Inc.) receive regular updates.

Question																																					
3.7. Does the company provide multiple whistleblowing and advice channels for use by all (e.g. employees and external parties), and do they allow for confidential and, wherever possible, anonymous reporting?																																					
Score																																					
2																																					
Comments																																					
There is evidence that the company provides multiple channels for its employees to report instances of suspected corrupt activity in the organisation and to seek advice on the company's anti-bribery and corruption programme. The company indicates that these channels can be confidential and anonymous, and are sufficiently varied to allow the employee to raise concerns across the management chain or to an external ethics hotline provider if necessary. There is evidence that the company's channels are available and accessible to all employees in all jurisdictions where the company operates, including those employed by the group as third parties, suppliers and joint venture partners, and in all relevant languages.																																					
Evidence																																					
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [Inner Cover page]</p> <div><div><h3>Contacting the Ethics Helpline</h3><p>If your concern relates to BAE Systems Head Office, Shared Services, Air, Land, Maritime or Applied Intelligence please use one of these contacts:</p><table><thead><tr><th>Phone</th></tr></thead><tbody><tr><td>Australia 1 800 803732</td></tr><tr><td>Kingdom of Saudi Arabia 800 844 3328</td></tr><tr><td>United Kingdom 0800 0126930</td></tr><tr><td>Austria 0800 281700</td></tr><tr><td>Belgium 0800 71025</td></tr><tr><td>Brazil 0800 891 8807</td></tr><tr><td>Canada 1888 268 5816</td></tr><tr><td>Chile 123 002 004 12</td></tr><tr><td>Czech Republic 800 142 428</td></tr><tr><td>Germany 0800 182 3246</td></tr><tr><td>Greece 00800 441 45735</td></tr><tr><td>Hungary 06800 14863</td></tr><tr><td>India 000800 440 1286</td></tr><tr><td>Indonesia 001 803 0441 1201</td></tr><tr><td>Italy 800 783776</td></tr><tr><td>Japan 00531 78 0023</td></tr><tr><td>Malaysia 1800 885 530</td></tr><tr><td>Oman 800 776 86</td></tr><tr><td>Poland 00800 442 1245</td></tr><tr><td>Romania 0800 894440</td></tr><tr><td>Singapore 800 4411 140</td></tr><tr><td>Slovakia 0800 004461</td></tr><tr><td>Thailand 001 800 442 078</td></tr><tr><td>Turkey 00800 4463 2066</td></tr><tr><td>United States 1877 533 5310</td></tr></tbody></table><p>Website www.expolink.co.uk/ethics-report</p><p>Email ethics.helpline@baesystems.com</p></div><div><p>If your concern relates to BAE Systems, Inc. please use one of these contacts:</p><table><thead><tr><th>Phone</th></tr></thead><tbody><tr><td>United States 888 306 7330</td></tr><tr><td>Afghanistan 503 726 2366</td></tr><tr><td>Djibouti 503 726 2366</td></tr><tr><td>Germany 0800 182 0493</td></tr><tr><td>Iraq 503 726 2366</td></tr><tr><td>Israel 180 941 3855</td></tr><tr><td>Kingdom of Saudi Arabia 1 800 10 888 306 7330</td></tr><tr><td>Mexico 001 877 433 3054</td></tr><tr><td>Sweden* 020 79 1013</td></tr><tr><td>United Kingdom 0808 234 3708</td></tr></tbody></table><p>Website www.baesystems.ethicspoint.com</p><p>Email ethics.inchelpline@baesystems.com</p></div></div>	Phone	Australia 1 800 803732	Kingdom of Saudi Arabia 800 844 3328	United Kingdom 0800 0126930	Austria 0800 281700	Belgium 0800 71025	Brazil 0800 891 8807	Canada 1888 268 5816	Chile 123 002 004 12	Czech Republic 800 142 428	Germany 0800 182 3246	Greece 00800 441 45735	Hungary 06800 14863	India 000800 440 1286	Indonesia 001 803 0441 1201	Italy 800 783776	Japan 00531 78 0023	Malaysia 1800 885 530	Oman 800 776 86	Poland 00800 442 1245	Romania 0800 894440	Singapore 800 4411 140	Slovakia 0800 004461	Thailand 001 800 442 078	Turkey 00800 4463 2066	United States 1877 533 5310	Phone	United States 888 306 7330	Afghanistan 503 726 2366	Djibouti 503 726 2366	Germany 0800 182 0493	Iraq 503 726 2366	Israel 180 941 3855	Kingdom of Saudi Arabia 1 800 10 888 306 7330	Mexico 001 877 433 3054	Sweden* 020 79 1013	United Kingdom 0808 234 3708
Phone																																					
Australia 1 800 803732																																					
Kingdom of Saudi Arabia 800 844 3328																																					
United Kingdom 0800 0126930																																					
Austria 0800 281700																																					
Belgium 0800 71025																																					
Brazil 0800 891 8807																																					
Canada 1888 268 5816																																					
Chile 123 002 004 12																																					
Czech Republic 800 142 428																																					
Germany 0800 182 3246																																					
Greece 00800 441 45735																																					
Hungary 06800 14863																																					
India 000800 440 1286																																					
Indonesia 001 803 0441 1201																																					
Italy 800 783776																																					
Japan 00531 78 0023																																					
Malaysia 1800 885 530																																					
Oman 800 776 86																																					
Poland 00800 442 1245																																					
Romania 0800 894440																																					
Singapore 800 4411 140																																					
Slovakia 0800 004461																																					
Thailand 001 800 442 078																																					
Turkey 00800 4463 2066																																					
United States 1877 533 5310																																					
Phone																																					
United States 888 306 7330																																					
Afghanistan 503 726 2366																																					
Djibouti 503 726 2366																																					
Germany 0800 182 0493																																					
Iraq 503 726 2366																																					
Israel 180 941 3855																																					
Kingdom of Saudi Arabia 1 800 10 888 306 7330																																					
Mexico 001 877 433 3054																																					
Sweden* 020 79 1013																																					
United Kingdom 0808 234 3708																																					

All other countries: If your country is not listed or you are experiencing difficulties contacting the Ethics Helpline, you can contact our collect call number, free of charge. Dial the international operator and request an international reverse charge call to: +44 1249 661 808.

* The service in Sweden is provided in the event you are not comfortable addressing concerns with your supervisor or with other avenues in the Company, and your concern regards a member of the management committee or their direct reports and relates to corruption, questionable accounting or auditing matters, or otherwise seriously affects the vital interests of the Company or personal health and safety, or serious forms of discrimination or harassment.

[p.6] 1.2 Who does this Code of Conduct apply to?

Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders.

The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal.

Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.

We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.

[p.7] What is the Company committing to do?

The Company commits to supporting employees to do the right thing by:

[...] –providing an Ethics Helpline and network of Ethics Officers;

[p.12] Speaking Up

After working through the decision-making model (page 10 and 11), you should speak up if you:

- are still unsure how to handle a situation, have a question, or are seeking advice;
- want to tell us about situations where you think our standards or the law may not have been upheld; or
- think an issue or concern that has been reported is not being dealt with properly.

Often, resolving an issue is as simple as talking to the person concerned. Alternatively, your manager or supervisor, Human Resources or Legal department should be able to provide you with guidance and the support you need.

If you are not comfortable speaking with anyone locally, or you still have a concern, you can speak to an Ethics Officer or contact the Ethics Helpline via:

- phone – calls to the Ethics Helpline are free, and lines are open 24 hours a day, seven days a week. The numbers can be found inside the front cover of this Code;
- the Ethics website; or
- email.

Any breaches of the Code should be raised as soon as possible. However you choose to speak up, it is important that you do not let any concerns go unresolved. If you report apparent misconduct honestly, and in good faith, you will be supported by the Company when you raise your concern. Any retaliation against you will not be tolerated.

Raising issues and concerns can result in a range of outcomes, including changes to governance, practices and training. If it is found that an individual is in breach of our Code of Conduct, they may face disciplinary action, which could include dismissal.

[22] Our approach to ethics and anti-corruption (Document)

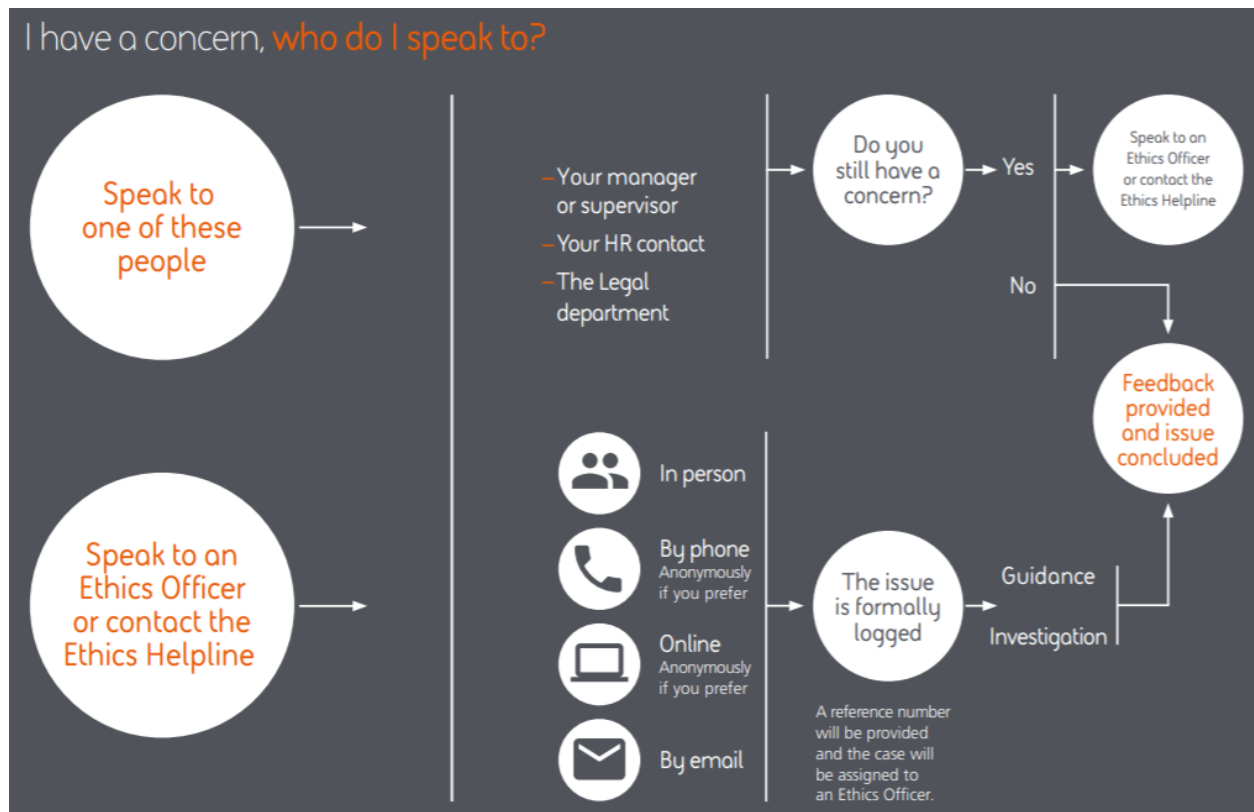
Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.23] 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.



[p.24] 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.

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf

[p.29] Employees can speak up via our network of over 160 Ethics Officers or by contacting our 24-hour Ethics Helpline by phone, email or an external website to ask for support or report a concern, anonymously if preferred. [...] Our 2018 anonymity rate of 28% compares favourably with international benchmarks.

In 2018, 48% of the ethics enquiries received were requests for guidance and advice, which we believe reflects our employees coming to us before a situation has worsened and requires investigation.

[13] Supplier Principles (Document)


Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf>

[p.2]


Ethics Helpline

If a supplier has a concern regarding these Principles,
contact our Ethics Helpline at:

 www.expolink.co.uk/ethics-report
 ethics.helpline@baesystems.com
 or by telephone at the appropriate number below:

Australia	1 800 803732
Austria	0800 281700
Belgium	0800 71025
Brazil	0800 891 8807
Canada	1888 268 5816
Chile	123 002 004 12
Czech Republic	800 142 428
Germany	0800 182 3246
Greece	00800 441 45735
Hungary	06800 14863
India	000800 440 1286
Indonesia	001 803 0441 1201
Italy	800 783776
Japan	00531 78 0023
Kingdom of Saudi Arabia	8008443328
Malaysia	1800 885530
Poland	00800 442 1245
Romania	08008 94440
Singapore	800 4411 140
Slovakia	0800 004461
Thailand	001 800 442 078
Turkey	00800 4463 2066
United Kingdom	0800 0126930
United States	1877 533 5310

Suppliers to BAE Systems, Inc. businesses may
contact the Ethics Helpline at:

 www.baesystems.ethicspoint.com
 ethics.inchelpine@baesystems.com
 or by telephone at the appropriate number below:

Afghanistan	503 726 2366
Djibouti	503 726 2366
Germany	0800 182 0493
Iraq	503 726 2366
Israel	180 941 3855
Kingdom of Saudi Arabia	1 800 10 888 306 7330
Mexico	001 877 433 3054
Sweden	020 79 1013
United Kingdom	0808 234 3708
United States	888 306 7330

[p.14] Speaking Up Continued**Speaking up Q&As****Q.** Do I have to be absolutely sure that there is a problem?

A. No. If you have a genuine issue or concern or believe that the Code or the law is being, could be or has been, compromised, then it is important that you raise your concern. In such cases, you will not be penalised, even if your concern turns out to be unfounded.

Q. Do I have to give my name when I report via the Ethics Helpline?

A. We would prefer that you identify yourself, as this helps us to assess the concerns you are raising, provide the best advice, take action to deal with your concerns and provide you with feedback. If you still want to keep your report anonymous, this can be done by using the phone or website reporting options. If you choose to take this approach, and do not provide contact details, you can anonymously check on the status of your report via the Helpline by using the reference number provided to you. Checking back in this way allows the investigating team to post requests for additional information and also allows them to respond to any questions you may have.

Q. Can I speak to someone in a language other than English?

A. Yes. Although calls are answered in English, there are qualified interpreters available. However, there may be a brief wait for an interpreter to come on the line or they may need to call you back to discuss your issue or concern.

Q. Can I find out what is happening about my issue or concern?

A. Yes. You will be given a reference number and the issue will be assigned to an Ethics Officer who will update you as appropriate. If you have made your report anonymously, you will be able to use your reference number to find out what is happening with your issue or concern. We will provide you with feedback before closing the issue, although we may not provide all the details due to confidentiality requirements.

Q. Who in the Company will know about my issue or concern?

A. Your details will be known only to those involved in investigating and addressing your issue or concern.

Q. I am not a BAE Systems employee, but wish to raise an issue or concern. Who can I speak to?

A. You do not have to be an employee of BAE Systems to contact the Ethics Helpline. We would encourage anyone who has an issue or concern related to BAE Systems to raise it as soon as possible.

4. Conflict of Interest

Question
4.1. Does the company have a policy defining conflicts of interest – actual, potential and perceived – that applies to all employees and board members?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a policy defining conflicts of interest, including actual, potential and perceived conflicts. There is evidence that this policy applies to all employees and board members, including those of subsidiaries and other controlled entities. The company's policy makes specific reference to conflicts arising from employee relationships, financial interests, other employment and government relationships.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.42] Conflicts of interest Our standard We will declare and seek direction on any issues that may potentially conflict with our responsibilities to the Company.</p> <p>What it means to me When a conflict of interest (or even the perception of one) arises it can cast doubt on our integrity and could damage the Company's reputation.</p> <p>Conflicts of interest are situations in which competing interests may impair our ability to make objective and unbiased business decisions on behalf of the Company. These situations can take many forms, including managing or making the decision to hire a close friend or family member, having a second job, holding financial interests in suppliers or competitors, or serving on the board of directors of another company operated for profit without BAE Systems' approval. We may, however, serve on the boards of community, government, educational, civic or other non-profit organisations, but only if our participation does not interfere with our duties as an employee. Not all personal interests, relationships, influences or activities automatically create a conflict of interest. You should exercise good judgement, taking into account all relevant factors.</p> <p>Potential conflicts of interest should be avoided or carefully managed. In all cases, declare any potential or actual conflict to your manager or Legal department as soon as you become aware of it. The issue will be discussed in a straightforward manner and addressed as soon as practically possible. Actual conflicts of interest will be recorded and, if the conflict cannot be removed, remedial steps will be put in place.</p> <p>[p.43] Practical examples Q. A colleague I am dating has recently transferred into my department. Previously we had no interaction at work. Does this move create a conflict? A. Possibly. You should both discuss this with your manager, your Human Resources department or an Ethics Officer.</p> <p>Q. My neighbour wants me to see if there is a job opening for a family member and whether I can 'pull any strings'. How should I respond? A. You should advise them to apply to the relevant department of the Company. You should ensure that you are not involved in, or have any influence on, the decision to hire that individual as it could be seen by others as a conflict of interest. Recommending someone via the employee referral programme is not a conflict of interest.</p> <p>Q. I wish to help my brother in his business at nights and weekends. Although his business is in the same industry as our Company, it is certainly too small to be a direct competitor. May I use my expertise to assist him?</p>

A. It is possible that activities in your brother's business may be a conflict of interest, since the business is in the same industry as our Company. If so, you must not use your expertise to assist his company. To be sure, speak to an Ethics Officer or your manager about the specific circumstances.

Q. At the end of a long project, a contractor has offered me some part-time work at their company. The work involves services that our Company does not provide. Is this a conflict of interest?

A. Yes, it is. Entering into a business relationship with this vendor would, at the very least, give the appearance that you may give preferential treatment to this vendor in future dealings with our Company. You cannot accept this offer.

[p.59] Practical examples

Q. I am planning to stand for local government. Do I need to inform the Company?

A. Yes. You are entitled to participate in politics in such a manner. However, the Company needs to be made aware so that we can be sure a conflict of interest is not inadvertently created.

Q. I feel passionately about a candidate who is running for office in an upcoming election. I believe this person would do good things for our Company. Is it OK if I just put up one of their stickers on my bulletin board and only talk about it if people ask me?

A. A certain amount of personal political discussion is normal and valuable in any workplace. But it is important that your colleagues do not feel pressured to support particular candidates or engage in political discussions in the workplace. It is best to limit political discussions, which could be perceived as seeking to influence others, to your personal time outside of the office.

[6] Policy Summaries – Conflicts of Interest (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/conflicts-of-interest-summary-policy>

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

Our Conflicts of Interest policy concerns situations where competing interests, for example, interests (including financial), relationships, influences or activities, may conflict and impair the ability of employees to make objective and unbiased decisions.

The policy requires that all employees shall ensure that personal interests do not compromise, nor appear to compromise, the employees' obligations or duties to the Company or the ability to make objective and responsible decisions on behalf of the Company.

Employees are required to notify their manager if an actual, perceived or potential conflict of interest exists or arises. All conflicts of interest are reported to the Business Chief Counsel and recorded in writing in a register and is also recorded in the employee's personnel file.

Remedial steps are required to be put in place to address conflicts of interest.

[7] Policy summaries – Lobbying, Political Donations and other Political Activity (Webpage)

Accessed 30/01/2020

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/lobbying-political-donations-and-other-political-activity>

Lobbying activity carried out at the senior government and political level must be recorded in line with our Lobbying, Political Donations and other Political Activity Policy and reported annually to the Corporate Responsibility Committee.

Anyone engaged in lobbying activities on behalf of BAE Systems, from within or outside the Company, must:

- Behave in accordance with our Code of Conduct and in compliance with local laws and regulations.
- Act with honesty and integrity, and ensure the information they provide in their lobbying activities is factually correct and fairly represented.
- Be open and transparent in their dealings with legislators and government decision-makers and declare the interests they are representing.

Question
4.2. Are there procedures in place to identify, declare and manage conflicts of interest, which are overseen by a body or individual ultimately accountable for the appropriate management and handling of conflict of interest cases?
Score
2
Comments
<p>There is evidence that the company has procedures to identify, declare and manage conflicts of interest, including actual, potential and perceived conflicts. There is evidence that the Business Chief Counsel is responsible for handling conflicts and that the company records conflicts in a dedicated register that is accessible to those responsible for oversight of the process. The company's Code of Conduct, which covers conflicts of interest, indicates that disciplinary action could apply if breached and provides examples of conflicts and recommended actions.</p>
Evidence
<p>[6] Policy Summaries – Conflicts of Interest (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/conflicts-of-interest-summary-policy The policy applies to BAE Systems plc, its wholly owned subsidiaries and their respective employees. All other companies and entities controlled by BAE Systems plc have a substantially equivalent policy applicable to their respective employees.</p> <p>Our Conflicts of Interest policy concerns situations where competing interests, for example, interests (including financial), relationships, influences or activities, may conflict and impair the ability of employees to make objective and unbiased decisions.</p> <p>The policy requires that all employees shall ensure that personal interests do not compromise, nor appear to compromise, the employees' obligations or duties to the Company or the ability to make objective and responsible decisions on behalf of the Company.</p> <p>Employees are required to notify their manager if an actual, perceived or potential conflict of interest exists or arises. All conflicts of interest are reported to the Business Chief Counsel and recorded in writing in a register and is also recorded in the employee's personnel file.</p> <p>Remedial steps are required to be put in place to address conflicts of interest.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.6] Who does this Code of Conduct apply to? Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders. The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal. Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.</p> <p>[p.42] Potential conflicts of interest should be avoided or carefully managed. In all cases, declare any potential or actual conflict to your manager or Legal department as soon as you become aware of it. The issue will be discussed in a straightforward manner and addressed as soon as practically possible. Actual conflicts of interest will be recorded and, if the conflict cannot be removed, remedial steps will be put in place.</p> <p>[p.43] Practical examples</p>

Q. A colleague I am dating has recently transferred into my department. Previously we had no interaction at work. Does this move create a conflict?

A. Possibly. You should both discuss this with your manager, your Human Resources department or an Ethics Officer.

Q. My neighbour wants me to see if there is a job opening for a family member and whether I can 'pull any strings'. How should I respond?

A. You should advise them to apply to the relevant department of the Company. You should ensure that you are not involved in, or have any influence on, the decision to hire that individual as it could be seen by others as a conflict of interest. Recommending someone via the employee referral programme is not a conflict of interest.

Q. I wish to help my brother in his business at nights and weekends. Although his business is in the same industry as our Company, it is certainly too small to be a direct competitor. May I use my expertise to assist him?

A. It is possible that activities in your brother's business may be a conflict of interest, since the business is in the same industry as our Company. If so, you must not use your expertise to assist his company. To be sure, speak to an Ethics Officer or your manager about the specific circumstances.

Q. At the end of a long project, a contractor has offered me some part-time work at their company. The work involves services that our Company does not provide. Is this a conflict of interest?

A. Yes, it is. Entering into a business relationship with this vendor would, at the very least, give the appearance that you may give preferential treatment to this vendor in future dealings with our Company. You cannot accept this offer.

[p.59] Practical examples

Q. I am planning to stand for local government. Do I need to inform the Company?

A. Yes. You are entitled to participate in politics in such a manner. However, the Company needs to be made aware so that we can be sure a conflict of interest is not inadvertently created.

Q. I feel passionately about a candidate who is running for office in an upcoming election. I believe this person would do good things for our Company. Is it OK if I just put up one of their stickers on my bulletin board and only talk about it if people ask me?

A. A certain amount of personal political discussion is normal and valuable in any workplace. But it is important that your colleagues do not feel pressured to support particular candidates or engage in political discussions in the workplace. It is best to limit political discussions, which could be perceived as seeking to influence others, to your personal time outside of the office.

Question
4.3. Does the company have a policy and procedure regulating the appointment of directors, employees or consultants from the public sector?
Score
1
Comments
<p>There is some evidence that the company addresses the risks associated with the employment of public officials. The company indicates that responsibility for compliance in this area sits with the Human Resources Director for each business.</p> <p>However, the company receives a score of '1' because there is no evidence that it publishes details of other controls in place to mitigate these risks. For example, there is no evidence that the company requires senior compliance officer (or equivalent) approval for the initiation of any employment discussions with former or current public officials, a review of actual, potential or perceived conflict of interest and restrictions on their activities if such conflicts of interest are identified.</p> <p>In addition, although the company states that it follows government rules on appointments including cooling-off periods, there is no evidence that the company has a policy to implement a cooling-off period of at least 12 months before any public official is permitted to have any form of contact or relationship with their former organisation on the company's behalf.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.17] Recruitment of former or current public sector personnel</p> <p>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.</p> <p>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.</p>

Question
4.4. Does the company report details of the contracted services of serving politicians to the company?
Score
0
Comments
There is no evidence that the company publishes details of the contracted services of serving politicians.
Evidence
No evidence found.

5. Customer Engagement

5.1 Contributions, Donations and Sponsorships

Question
5.1.1. Does the company have a clearly defined policy and/or procedure covering political contributions?
Score
0
Comments
<p>Based on publicly available information, there is evidence that the company has a policy which prohibits corporate political contributions, whether by the company itself or by any other entity or individual acting on its behalf. However, there is evidence that the company has a Political Action Committee (PAC) in the United States, so the company therefore receives a score of '0' as per the scoring criteria.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.15] BAE Systems does not make corporate contributions or donations to political parties.</p> <p>[p.16] 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>[9] Policy summaries – Lobbying and political support (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/find-out-more/lobbying-and-political-support Our Operational Framework requires the Group Business Development Director to ensure that an annual report on the company's lobbying activity is made to the Corporate Responsibility Committee of the Board. We do not make corporate contributions or donations to political parties. Nor do we engage in activity which favours one political party or group over another.</p> <p>In the US, the BAE Systems USA Political Action Committee (PAC) enables employees to make bi-partisan 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.</p>

[1] Code of Conduct (Document)

Accessed 01/10/2019

<https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf>

[p.56] We do not make political payments. We will always be open about our lobbying activities.

What it means to me

The Company does not participate directly in political activities or make corporate contributions or donations to political parties or their representatives.

This means:

- Company funds and resources must not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations; and
- the Company will not use charitable donations as a substitute for political payments.

We will never make any such political contributions or payments directly, and we may also be required to report full details to the relevant authorities of any such payments made by our partners and suppliers. Although the Company does not directly participate in party politics, we will continue to engage in policy debate on subjects of legitimate concern to us, our employees, customers and end users of our products, and the communities in which we operate, including through lobbying.

[p.58] Individual political activities and donations

Our standard

We all have a right to participate as individuals in the political process, but we will not use Company time, property or equipment to carry out or support our personal political activities.

What it means to me

We respect the rights of employees to make personal political donations and to be involved in political activity in their own time. To ensure that our personal activities are not mistaken for activities of the Company, we must:

- not use Company time, property or equipment to carry out or support our personal political activities; and
- always make it clear that our views and actions are our own and not the Company's.

In certain countries (such as the US) the law permits employees to make donations to political campaigns through a Political Action Committee (PAC). Personal participation in the PAC means that limited use of Company time and resources is appropriate (but may not be time-charged to a government contract).

[7] Policy summaries – Lobbying, Political Donations and other Political Activity (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/lobbying-political-donations-and-other-political-activity>

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

BAE Systems does not make corporate contributions or donations to political parties. Eligible employees in the US can choose to contribute to the BAE Systems Political Action Committee, which must operate in full compliance with US federal laws and regulations.

See more on how the policy is put into practice by clicking here or viewing the factsheet to the right.

[24] Factsheet – Lobbying and Political Activity

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20180830120819/1434593826988.pdf>

[p.2] 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 ...

[p.3] ... to contribute to the PAC, which is managed in compliance with the requirements of the Federal Election Commission.

Question
5.1.2. Does the company publish details of all political contributions made by the company and its subsidiaries, or a statement that it has made no such contribution?
Score
0
Comments
<p>There is evidence to indicate that the company did not make any political contributions in 2018. Since this evidence is included in the company's Annual Report, it is under that the data is updated on an annual basis.</p> <p>However, the company receives a score of '0' because it has a Political Action Committee (PAC) in the United States and there is no evidence that it publishes any information in relation to the PAC's disbursements on its website or that it provides a direct link to its official disclosures.</p>
Evidence
<p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.130] Political donations No political donations were made in 2018.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.15] BAE Systems does not make corporate contributions or donations to political parties.</p> <p>[p.16] 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Question
5.1.3. Does the company have a clearly defined policy and/or procedure covering charitable donations and sponsorships, whether made directly or indirectly, and does it publish details of all such donations made by the company and its subsidiaries?
Score
1
Comments
<p>Based on publicly available information, there is evidence that the company has a policy covering both charitable donations and sponsorships to ensure that such donations are not used as vehicles for bribery and corruption. There is evidence that company's policies stipulate measures to ensure this, including sign-off procedures and a requirement to record the donation.</p> <p>However, although the company publishes the total amount of contributions to charities and not-for-profit organisations made by the company in 2018, it does not publish full details of all the charitable donations made, such as details of the recipients, amounts, country of recipients and which corporate entity made the payments.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.52] Community investment</p> <p>Our Standard Through our activities, we will make a positive social and economic contribution to the communities in which we work and where we live. Through sponsorships and donations, we will invest in the activities of other organisations where they align with our values and business objectives, and will enhance the reputation of the Company.</p> <p>What it means to me We contribute to charities and good causes through sponsorship and donations and by providing materials. Our particular focus is on those organisations that support our customer, the Armed Forces and their families, and educational groups, including those which are working to engage young people, especially in the areas of Science, Technology, Engineering and Maths (STEM). We also support efforts to preserve the Company's heritage, key historical artefacts and the technological history of the aerospace and defence industry and the Armed Forces. We encourage you to give your time as volunteers to these causes.</p> <p>When making sponsorship commitments, charitable donations or promises of 'in-kind' support – such as Company materials or resources – prior approval is required and the activity needs to be recorded in accordance with our policy. All requests for sponsorship and charitable donations received should be referred to your local Community Investment lead to ensure that they meet our sponsorship and charitable giving criteria.</p> <p>[p.53] Practical examples</p> <p>Q. I have been asked if the Company will sponsor an event at a school close to one of our sites. Should I sponsor the event as a gesture of goodwill to the community? A. You should contact your local Community Investment lead to see if the request meets our sponsorship criteria.</p> <p>Q. A colleague is participating in a walk to raise money for a national charity. Can the Company support them? A. No. The Company's strategy for donations is to give funds directly to charitable organisations and not to support third party fundraising. Of course, you can support them as a private individual.</p> <p>Q. I am organising a fundraising event near our site and would like to approach my colleagues and local businesses to seek their support by donating prizes. Is this allowed? A. Requests like this can often create a feeling of obligation and may violate local policies. As such, you should not solicit donations from colleagues or other companies without first seeking guidance, especially where they are existing or potential suppliers or service providers to BAE Systems. Guidance can be obtained from your Communications or Legal department.</p>

[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.31] Community investment

Giving back to the communities in which we operate, and to charities that have meaning to our business is vitally important to our Company and our employees, allowing us to make a positive difference and have an impact where it counts.

During 2018 the Group contributed more than £11m to local, national and international charities and not-for-profit organisations through our community investment programme. This includes charitable sponsorships, donations, employee fundraising and volunteering.

Our approach

Pursuant to our Community Investment Policy, our Global Community Investment Strategy aims to build and nurture mutually beneficial relationships between our business, our people and local stakeholders. We partner with organisations that align to our strategy which allows us to support initiatives that have meaning and impact to our business and employees.

Our strategy outlines primary focus areas, where measurable impact can be demonstrated and these are defined as:

- Armed forces – supporting active service personnel, veterans and their families;
- Education and skills – inspiring young people to consider Science, Technology, Engineering and Maths (STEM) subjects and careers; and
- Local community – working to support the communities in which we operate.

5.2 Lobbying

Question
5.2.1 Does the company have a policy and/or procedure covering responsible lobbying?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has a policy that defines lobbying and that clearly outlines the values and behaviours that constitute 'responsible' lobbying. There is evidence that the company acknowledges the corruption risks associated with lobbying and it provides clear guidelines on the behaviours that are acceptable and unacceptable for individuals engaged in lobbying activities. The company's policy applies to all employees, board members and third parties engaged in lobbying on the company's behalf.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.6] Who does this Code of Conduct apply to? Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders.</p> <p>The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal.</p> <p>Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.</p> <p>We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p> <p>[p.56] Lobbying and political support</p> <p>Our standard We do not make political payments. We will always be open about our lobbying activities.</p> <p>What it means to me The Company does not participate directly in political activities or make corporate contributions or donations to political parties or their representatives.</p> <p>This means: – Company funds and resources must not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations; and – the Company will not use charitable donations as a substitute for political payments.</p> <p>We will never make any such political contributions or payments directly, and we may also be required to report full details to the relevant authorities of any such payments made by our partners and suppliers. Although the Company does not directly participate in party politics, we will continue to engage in policy debate on subjects of legitimate concern to us, our employees, customers and end users of our products, and the communities in which we operate, including through lobbying.</p> <p>Any employee who lobbies on behalf of the Company must: – comply with all requirements of law, regulation and internal policy regarding lobbying. This includes, but is not limited to, complying with the laws and regulations relating to registration and reporting; – make themselves knowledgeable about the laws governing lobbying in the countries in which they operate; and</p>

– consult with management before any lobbying is undertaken with government officials or employees.

Practical example

Q. I do not have any contact with government officials, but am sometimes asked to do research for our Government Relations department on pending legislation. Do I have to know anything about the lobbying rules?

A. In some countries there may be rules that require you to report the time you spend supporting those who lobby the government directly. Your Legal department will be able to provide further guidance.

[7] Policy summaries – Lobbying, Political Donations and other Political Activity (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/lobbying-political-donations-and-other-political-activity>

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

Lobbying activity carried out at the senior government and political level must be recorded in line with our Lobbying, Political Donations and other Political Activity Policy and reported annually to the Corporate Responsibility Committee.

Anyone engaged in lobbying activities on behalf of BAE Systems, from within or outside the Company, must: Behave in accordance with our Code of Conduct and in compliance with local laws and regulations. Act with honesty and integrity, and ensure the information they provide in their lobbying activities is factually correct and fairly represented.

Be open and transparent in their dealings with legislators and government decision-makers and declare the interests they are representing.

[9] Policy summaries – Lobbying and political support (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/find-out-more/lobbying-and-political-support>

We engage with governments and policy makers in all our markets.

We seek to inform them about our business; to influence public policy on issues related to our business; and to promote BAE Systems' solutions for national defence and security requirements. Some stakeholders are concerned that big businesses may exert undue influence over governments and decision-makers. We aim to be open about our lobbying activities to address this concern.

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.

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. Their appointment is governed by our Advisers Policy (see advisers), with the exception of certain domestic lobbyists in the US whose appointment is subject to separate legislative controls. We require all external lobbyists to carry out their business on our behalf in accordance with the company's lobbying and political support policy.

Anyone interacting with governments on behalf of BAE Systems – from within or outside the company - must comply with our policy. They must behave in accordance with our Code of Conduct, act with honesty and integrity, and ensure the information they provide in their lobbying activities is factually correct and fairly represented. The emphasis is on openness and transparency in our dealings with governments.

Lobbying is included in our Code of Conduct which all employees must be familiar with. 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.

Lobbying activity must also comply with our policy on lobbying, political donations and other political activity and with any national legislative or regulatory requirements in each market. The policy requires all lobbying activity undertaken at the political level to be recorded. In the US the recording of lobbying is subject to federal law - the Lobbying Disclosure Act (LDA). Under this law, organisations employing persons who spend more than 20% of their time on lobbying activities are required to register with the Clerk of the House of Representatives and the Secretary of the Senate.

Our Operational Framework requires the Group Business Development Director to ensure that an annual report on the company's lobbying activity is made to the Corporate Responsibility Committee of the Board. We do not make corporate contributions or donations to political parties. Nor do we engage in activity which favours one political party or group over another.

In the US, the BAE Systems USA Political Action Committee (PAC) enables employees to make bi-partisan 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.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.15] 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.

[p.16] 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). 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, which is managed in compliance with the requirements of the Federal Election Commission.

[24] Factsheet – Lobbying and Political Activity

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20180830120819/1434593826988.pdf>

[p.1] 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

[p.2] • 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 ...

[p.3] ... 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.

Question
5.2.2 Does the company publish details of the aims and topics of its public policy development and lobbying activities it carries out?
Score
2
Comments
<p>There is evidence that the company publishes a description of the topics on which it lobbies and the type of activities that it conducts to advance these aims. The company provides details of its core positions and their relevance to its business development plan, and there is evidence to indicate that these aims apply to the company's lobbying activities in multiple jurisdictions around the world. The extent of the evidence provided is deemed sufficient for a score of '2', though it is noted that the company appears to produce an annual report with further details on its lobbying activities which is not available in the public domain.</p>
Evidence
<p>[9] Policy summaries – Lobbying and political support (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/find-out-more/lobbying-and-political-support We engage with governments and policy makers in all our markets.</p> <p>We seek to inform them about our business; to influence public policy on issues related to our business; and to promote BAE Systems' solutions for national defence and security requirements. Some stakeholders are concerned that big businesses may exert undue influence over governments and decision-makers. We aim to be open about our lobbying activities to address this concern.</p> <p>We lobby on issues specifically relevant to our business and the defence and security industry, either directly or through trade associations such as Aerospace, Defence and Security in the UK and the US Aerospace Industries Association. Like all industries, we also take an active interest in, and seek to influence, the development of regulations and legislation that may affect the general business environment. For example, we are in regular contact with governments and legislators about tax provisions which affect BAE Systems' business (such as those relating to research and development credits), and about employment laws or other policies (such as immigration or foreign direct investment) which might affect our ability to pursue our business objectives.</p> <p>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.</p> <p>[...]</p> <p>Our Operational Framework requires the Group Business Development Director to ensure that an annual report on the company's lobbying activity is made to the Corporate Responsibility Committee of the Board.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.15] Lobbying</p> <p>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.</p> <p>Through our lobbying activities, we seek to:</p> <ul style="list-style-type: none"> > 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.

[p.16] 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.

[24] Factsheet – Lobbying and Political Activity

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20180830120819/1434593826988.pdf>

[p.1] 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.

[...] 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.

[...] 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

[p.2] 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.

[p.3] 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.

Question
5.2.3 Does the company publish full details of its global lobbying expenditure?
Score
0
Comments
There is no evidence that the company publishes details about its global lobbying expenditure on its website, either directly or via a link to official filing reports.
Evidence
<p>[24] Factsheet – Lobbying and Political Activity Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20180830120819/1434593826988.pdf</p> <p>[p.2] 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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. <p>[p.3] 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.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf</p> <p>[p.16] 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.</p>

5.3 Gifts and Hospitality

Question
5.3.1 Does the company have a policy and/or procedure on gifts and hospitality to ensure they are bona fide to prevent undue influence or other corruption?
Score
2
Comments
<p>There is evidence that the company has a policy on the giving and receipt of gifts and hospitality, with clear procedures designed to ensure that such promotional expenses are not used as vehicles for bribery or corruption. There is evidence that the company's policy establishes financial limits, along with an approval procedure, for promotional expenses. The company's policy also explicitly addresses the risks associated with gifts and hospitality given to and received from domestic and foreign public officials, by indicating that specific rules and regulations may apply. The company's policy includes a statement that all gifts and hospitality above certain thresholds are recorded in a dedicated register.</p>
Evidence
<p>[11] Policy summaries – Gifts and hospitality (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/gifts-and-hospitality-summary-policy The policy applies to BAE Systems plc, its wholly owned subsidiaries and their respective employees. All other companies and entities controlled by BAE Systems plc have a substantially equivalent policy applicable to their respective employees.</p> <p>It is sometimes customary and appropriate, particularly in connection with product demonstrations or promotional events, to give and receive reasonable and proportionate gifts and / or hospitality.</p> <p>However, if the giving or receiving of gifts or hospitality is in any way for the purposes of obtaining an inappropriate advantage or benefit, then this may amount to a bribe which is prohibited under this and other BAE Systems policies and by law.</p> <p>Bribery is a criminal offence. BAE Systems prohibits employees from offering, giving, or receiving bribes or personal inducements, or requesting others to do so on their behalf, for any purpose. Employees must not offer, give or receive gifts and/or hospitality in circumstances where it may be unlawful and/or in contravention of the BAE Systems Gifts and Hospitality Policy to do so.</p> <p>The Gifts & Hospitality Policy outlines that any gifts or hospitality offered, given or received shall:</p> <ul style="list-style-type: none"> • Be in good faith, occasional, appropriate and reasonable, and comply with any applicable laws; • Be for reasons related to the business of BAE Systems and the specific individuals involved; • Be within the financial limits set out in the Policy and never be lavish or extravagant; • In respect of Government or state controlled customers, comply with their rules and regulations; • Never be in cash (or cash equivalents such as vouchers or credit notes); and • Never be connected in any way to the obtaining of an inappropriate advantage or benefit. <p>The Gifts and Hospitality Policy sets out financial limits and approval levels for gifts and hospitality. It also outlines that both gifts and hospitality need to be recorded in a business' local register.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.26] What it means to me</p> <p>[...] A bribe includes any direct or indirect payment, benefit or gift offered, given or received with the purpose of improperly influencing a decision or outcome. The payment does not necessarily have to be of large value. It could be as simple as a lunch or an invitation to a sporting event. Payments, gifts or other benefits provided to or through</p>

a third party, such as a decision maker's relative or business partner, could also be a bribe under certain circumstances.

We will not offer, give or receive any payment, benefit or gift which is intended to be, or may be construed as, a bribe. Each of us is responsible for knowing what our business guidance allows and what the law permits in our own country of operation regarding gifts and benefits given to or received from government officials, customers, suppliers or other third parties. If we are unsure then we should always seek guidance before taking further action. When required, seek approval for a gift or hospitality and ensure it is recorded in the relevant gifts and hospitality register.

[p.27] Practical examples

Q. I regularly organise conferences for the Company. I was recently offered a free stay in a hotel which was competing for our business. Am I allowed to accept it?

A. No. It is never acceptable to make personal gain out of a business transaction. You should seek guidance from an Ethics Officer or your Legal department.

Q. I have been given an expensive gift during a business meeting and know that – because of cultural traditions – it would offend the provider if I did not accept it. What should I do with the gift?

A. You should report the gift as soon as possible and ask for guidance. The Company may ask you to return the gift or seek the provider's permission to donate it to charity.

Q. Last year we received approval to give a gift to our customer. Do we really need to go through the process of obtaining approval again this year?

A. Even if a gift was approved last year, you do need to seek approval to give something similar again this year. Rules related to giving and receiving of gifts are complicated and constantly evolving. What you had in mind may be just different enough to violate the rules, or the rules may have changed. Our policies also require that certain gifts need prior approval and must be recorded in a gifts and hospitality register.

Q. Our foreign government customer told our subcontractor that for a fee they would make sure that we, and therefore our subcontractor, would win the contract. The subcontractor told us not to worry, they will just list it as a 'services fee' on their invoice. Is this acceptable?

A. No. This would be a bribe. The fact that the subcontractor describes it as a 'services fee' does not relieve us of potential liability, and we will not pay it or become involved in such an arrangement. We must instruct the subcontractor not to make any such payment and then report this matter to the Legal department.

6. Supply Chain Management

Question
6.1. Does the company require the involvement of its procurement department in the establishment of new supplier relationships and in the oversight of its supplier base?
Score
1
Comments
<p>There is evidence that the company's procurement department is involved, in some capacity, in the establishment and oversight of supplier relationships.</p> <p>However, the company receives a score of '1' because there is no clear publicly available evidence to indicate that the procurement department is the main body responsible for oversight of the company's supplier base, nor is there evidence that the company assures itself of the procurement department's involvement at least every three years.</p>
Evidence
<p>[16] Suppliers and Supply Chain (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/suppliers-and-supply-chain 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. We value lasting relationships and aim to support suppliers by sharing best practices, helping them access new business and paying them promptly.</p> <p>We depend on more than 20,000 suppliers to support our business. Poor performance or unethical conduct by a supplier could affect our reputation or our ability to operate effectively. That's why we aim to build relationships with suppliers who share our values. Our contracts set out our expectation for all suppliers to comply with our Code of Conduct or equivalent standards on ethical business conduct, compliance, safety, environmental management and human rights.</p> <p><i>Monitoring supplier standards</i> Our procurement teams assess suppliers on a range of ethical, labour, safety, human rights and environmental standards during the selection process and as part of our ongoing assurance activities.</p> <p>For major suppliers, we conduct an extensive due diligence process (see factsheet), including site visits if needed and supplier self-assessments, to ensure standards are consistent with our expectations. If we identify any potential concerns, additional screening is necessary before we can proceed.</p> <p>We continue to engage with major suppliers at all stages of the project lifecycle from planning through to completion. This through-life approach supports our efforts to promote a more sustainable supply chain. We also encourage suppliers to reduce environmental impacts by implementing best practices.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.19] 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.</p>

Question
6.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging with its suppliers?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct risk-based due diligence when engaging and re-engaging with suppliers. The company indicates that it conducts this process annually or when there is a significant change in the business relationship, and states that the process includes establishing the beneficial ownership of the supplying company. There is some evidence indicating that the highest risk suppliers are subject to enhanced due diligence. There is evidence that the company might be willing to review and/or terminate supplier relationships in circumstances where a red flag highlighted in the due diligence cannot be mitigated.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.14] Due diligence and contracting</p> <p>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.</p> <p>[...] BAE Systems also has the right to audit and review the business.</p> <p>[p.19] 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.</p> <p>[16] Suppliers and Supply Chain (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/suppliers-and-supply-chain We depend on more than 20,000 suppliers to support our business. Poor performance or unethical conduct by a supplier could affect our reputation or our ability to operate effectively. That's why we aim to build relationships with suppliers who share our values. Our contracts set out our expectation for all suppliers to comply with our Code of Conduct or equivalent standards on ethical business conduct, compliance, safety, environmental management and human rights.</p> <p>Monitoring supplier standards Our procurement teams assess suppliers on a range of ethical, labour, safety, human rights and environmental standards during the selection process and as part of our ongoing assurance activities.</p> <p>For major suppliers, we conduct an extensive due diligence process (see factsheet), including site visits if needed and supplier self-assessments, to ensure standards are consistent with our expectations. If we identify any potential concerns, additional screening is necessary before we can proceed.</p> <p>We continue to engage with major suppliers at all stages of the project lifecycle from planning through to completion. This through-life approach supports our efforts to promote a more sustainable supply chain. We also encourage suppliers to reduce environmental impacts by implementing best practices.</p>

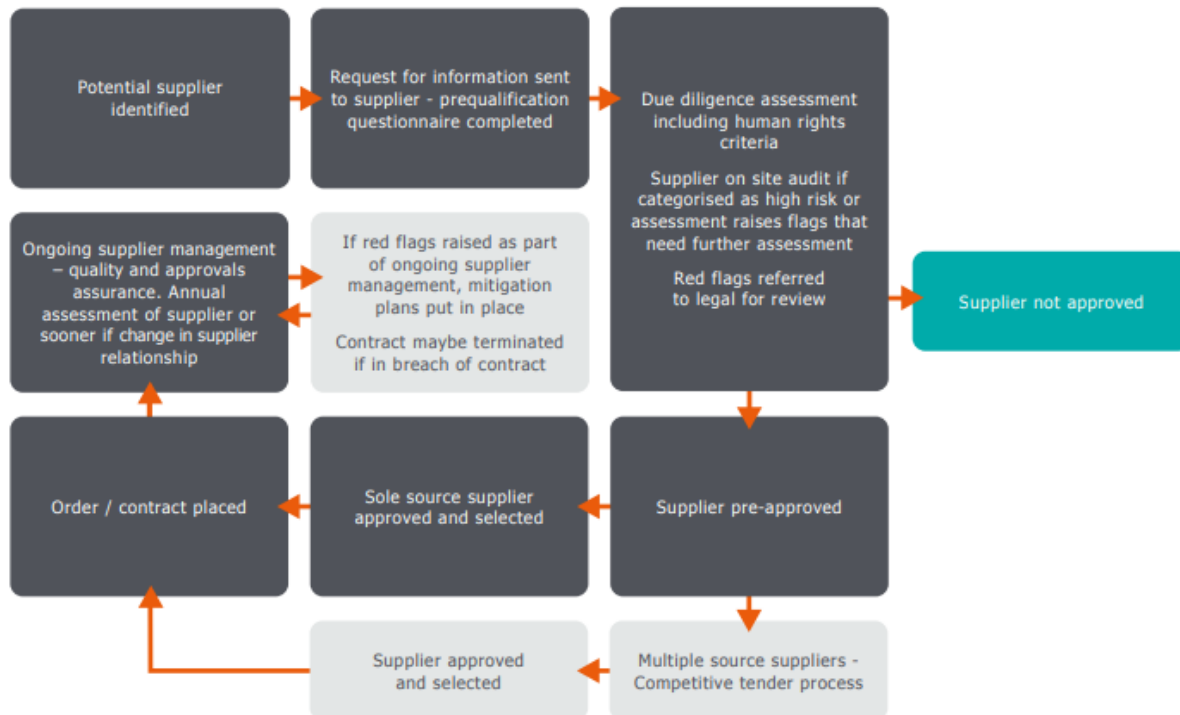
[26] UK Modern Slavery Act Response 2020 (Document)

Accessed 09/05/2020

<https://www.baesystems.com/en/download-en/20200330174830/1434647710828.pdf>

[p.5] Prior to approving and selecting suppliers, we outline the products and services we need and short list potentially suitable suppliers. During this supplier evaluation stage, due diligence is carried out on suppliers against the following non-financial risks:

– Responsible Trading Principles - business ethics, anticorruption and anti-bribery, governance and legislation;



[p.6] What would the Company do if Modern Slavery were found in its Supply Chain?

If modern slavery or human trafficking were found within our directly contracted suppliers, we would act immediately to work with the supplier and relevant authorities to understand the circumstances of what has been found and to put in place corrective actions that help the affected workers and protect them from further harm. If a supplier was unwilling to address the issue, then corrective action may include termination of contracts and selection of an alternative supplier.

[12] Factsheet – Supplier Due Diligence (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20180830123132/1434589360878.pdf>

[p.1] 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?

[15] Responsible Trading Principles (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/principles>

Supplier principles

At BAE Systems, we work with suppliers who embrace standards of ethical behaviour consistent with our own. To clarify what we expect from our suppliers and their supply chains, we have developed the Supplier Principles – Guidance for Responsible Business, which reflects the standards we set for our own Board and employees.

Potential new suppliers are assessed using the Supplier Principles as a risk management framework, and such assessment is included as an integral part of our normal supplier evaluation, due diligence, request for information, request for proposal, pre-qualification, selection, and approval processes.

Existing suppliers are assessed against the Supplier Principles as part of on-going supplier management, due diligence monitoring, assurance and audits as appropriate. Revised commercial clauses, referencing the Supplier Principles, are also being added to our Standard Conditions of Purchase for the jurisdictions in which we operate.

Question
6.3 Does the company require all of its suppliers to have adequate standards of anti-bribery and corruption policies and procedures in place?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company requires suppliers to have adequate anti-bribery and corruption policies and procedures in place. The company clearly states that all suppliers must have, at minimum, policies in place that prohibit foreign and domestic bribery, prohibit facilitation payments, as well as policies and procedures to address conflicts of interest, gifts and hospitality and whistleblowing. There is evidence that the company takes active steps to ensure this, for example by including checks on suppliers' policies as part of the due diligence and by conducting ongoing risk assessments. The company assures itself of this when onboarding new suppliers or when there is a significant change in the business relationship.</p>
Evidence
<p>[12] Factsheet – Supplier Due Diligence (Document) Accessed 02/10/2019 https://www.baesystems.com/en/download-en/20180830123132/1434589360878.pdf [p.1] 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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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? <p>[13] Supplier Principles (Document) Accessed 02/10/2019 https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf [p.1] What We Expect From Our Suppliers</p> <p>Code of Conduct and Compliance</p> <p>BAE Systems' Code of Conduct is central to our responsible business environment. We encourage our suppliers to implement and adhere to their own similar written code of conduct. In addition, commensurate with the size and nature of their business, we expect our suppliers to have management systems in place to support compliance with applicable laws and regulations.</p> <p>Anti-Corruption</p> <p>We expect our suppliers to comply with all relevant laws and regulations regarding anti-corruption including, where applicable, the Foreign Corrupt Practices Act and the UK Bribery Act. BAE Systems has a zero tolerance for any corrupt activity. In particular BAE Systems will not tolerate corrupt activity involving government officials, our commercial business partners, or the receipt of bribes or kickbacks by BAE Systems personnel. We will not offer, give, or receive any payment, benefit or gift that may be construed as a bribe, for any business purpose whether</p>

directly or through a third party. BAE Systems expects its suppliers to be similarly intolerant of corrupt activity and to have appropriate and adequate procedures to prevent such activity from taking place.

BAE Systems does not pay 'facilitation' payments and will not pay for the expediting of routine government activity unless there is a formal lawful fee schedule for expedited service, and we similarly expect that our suppliers will not make such payments in connection with any BAE Systems business.

We expect our suppliers to ensure that the offering or receipt of any gift or business courtesy is permitted by law and regulation, does not violate the rules and standards of the recipients organisation, and is consistent with all reasonable market terms and conditions.

[p.2] Conflicts of Interest


We expect our suppliers to avoid conflicts of interest or situations giving the appearance of a potential conflict of interest in their dealings with BAE Systems. We understand that such actual or potential conflicts do arise in the course of business from time to time, in which case we expect our suppliers to timely disclose them to BAE Systems and all other affected parties.

Ethics Helpline

If a supplier has a concern regarding these Principles, contact our Ethics Helpline at:

 www.expolink.co.uk/ethics-report


 ethics.helpline@baesystems.com


 or by telephone at the appropriate number below:

Australia	1 800 803732
Austria	0800 281700
Belgium	0800 71025
Brazil	0800 891 8807
Canada	1888 268 5816
Chile	123 002 004 12
Czech Republic	800 142 428
Germany	0800 182 3246
Greece	00800 441 45735
Hungary	06800 14863
India	000800 440 1286
Indonesia	001 803 0441 1201
Italy	800 783776
Japan	00531 78 0023
Kingdom of Saudi Arabia	8008443328
Malaysia	1800 885530
Poland	00800 442 1245
Romania	08008 94440
Singapore	800 4411 140
Slovakia	0800 004461
Thailand	001 800 442 078
Turkey	00800 4463 2066
United Kingdom	0800 0126930
United States	1877 533 5310

Suppliers to BAE Systems, Inc. businesses may contact the Ethics Helpline at:

 www.baesystems.ethicspoint.com

 ethics.inchelpine@baesystems.com

 or by telephone at the appropriate number below:

Afghanistan	503 726 2366
Djibouti	503 726 2366
Germany	0800 182 0493
Iraq	503 726 2366
Israel	180 941 3855
Kingdom of Saudi Arabia	1 800 10 888 306 7330
Mexico	001 877 433 3054
Sweden	020 79 1013
United Kingdom	0808 234 3708
United States	888 306 7330

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>


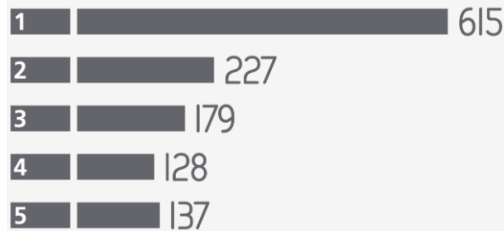
[p.19] Guidance for our suppliers

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.

Question
6.4 Does the company ensure that its suppliers require all their sub-contractors to have anti-corruption programmes in place that at a minimum adhere to the standards established by the main contractor?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company takes steps to ensure that its sub-contractors have adequate anti-bribery and corruption programmes in place and that the substance of its anti-bribery and corruption programme and standards are included in sub-contracts throughout the supply chain. This evidence is in the form of a set of supplier principles that sets the minimum standards of ethical behaviour expected throughout the supply chain.</p>
Evidence
<p>[15] Responsible Trading Principles (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/principles Supplier principles At BAE Systems, we work with suppliers who embrace standards of ethical behaviour consistent with our own. To clarify what we expect from our suppliers and their supply chains, we have developed the Supplier Principles – Guidance for Responsible Business, which reflects the standards we set for our own Board and employees.</p> <p>Potential new suppliers are assessed using the Supplier Principles as a risk management framework, and such assessment is included as an integral part of our normal supplier evaluation, due diligence, request for information, request for proposal, pre-qualification, selection, and approval processes.</p> <p>Existing suppliers are assessed against the Supplier Principles as part of on-going supplier management, due diligence monitoring, assurance and audits as appropriate. Revised commercial clauses, referencing the Supplier Principles, are also being added to our Standard Conditions of Purchase for the jurisdictions in which we operate.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.19] 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.</p> <p>[13] Supplier Principles (Document) Accessed 02/10/2019 https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf [p.1] To clarify what we expect from our suppliers and their supply chains, we have developed these Supplier Principles – Guidance for Responsible Business (hereafter referred to as Principles). The Principles outline a set of 'best practice' expectations. They are not intended to conflict with or modify the terms of supplier contracts with BAE Systems. If a contract requirement (and/or an applicable law or regulation) addresses the same areas as covered in these Principles, suppliers must comply with the contract (and/or legal) requirement.</p> <p>Responsible behaviour is vitally important to the reputation and success of BAE Systems. Our suppliers are an important part of that effort.</p>

Question																												
6.5 Does the company publish high-level results from ethical incident investigations and disciplinary actions against suppliers?																												
Score																												
0																												
Comments																												
The company publishes some high-level information about its ethics enquiries and disciplinary actions involving employees and third parties, however it is not clear whether this includes suppliers. The company receives a score of '0' because the data published does not provide any information on ethics enquiries, investigations launched or disciplinary actions taken as they relate to suppliers, nor does it publish a statement that it has no supplier incidents or investigations to report.																												
Evidence																												
<p>[23] 2018 Ethics Data (Webpage) Accessed 21/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data</p> <p><i>Ethics</i> Employee and third party ethics enquiries and dismissals for reasons relating to unethical behaviour.</p> <p><i>Total ethics enquiries</i> Employees can speak up via our network of over 160 Ethics Officers or by contacting our 24-hour Ethics Helpline by phone, email or an external website to ask for support or report concerns, anonymously if required. In 2018, there were a total of 1,286 ethics enquiries. All concerns raised were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee. The Group continues to encourage employees to speak up, so we can address issues or behaviours we consider unacceptable.</p> <p>Total ethics enquiries¹</p>  <table><tr><th>Year</th><th>Total ethics enquiries</th></tr><tr><td>2018</td><td>1,286</td></tr><tr><td>2017</td><td>1,280</td></tr></table> <p>All Enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems Inc, to the Ethics Review Oversight Committee.</p> <p>Ethics enquiries by type 2018 ethics enquiries by type¹</p>  <table><tr><th>Type</th><th>Count</th></tr><tr><td>1</td><td>615</td></tr><tr><td>2</td><td>227</td></tr><tr><td>3</td><td>179</td></tr><tr><td>4</td><td>128</td></tr><tr><td>5</td><td>137</td></tr></table> <table><tr><td>1</td><td>Guidance and advice</td></tr><tr><td>2</td><td>Employee relations and conduct</td></tr><tr><td>3</td><td>Management practices</td></tr><tr><td>4</td><td>Accounting charges practices</td></tr><tr><td>5</td><td>Other</td></tr></table>	Year	Total ethics enquiries	2018	1,286	2017	1,280	Type	Count	1	615	2	227	3	179	4	128	5	137	1	Guidance and advice	2	Employee relations and conduct	3	Management practices	4	Accounting charges practices	5	Other
Year	Total ethics enquiries																											
2018	1,286																											
2017	1,280																											
Type	Count																											
1	615																											
2	227																											
3	179																											
4	128																											
5	137																											
1	Guidance and advice																											
2	Employee relations and conduct																											
3	Management practices																											
4	Accounting charges practices																											
5	Other																											

Almost half of the ethics contacts are requests for guidance and advice. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice.

Dismissals for reasons relating to unethical behaviour²



If an employee is found to be in breach of the Group's Code of Conduct or any other relevant policies, appropriate disciplinary action, which may result in dismissal, is taken. In 2018, 219 employees were dismissed for reasons relating to breaches of the Group's standards and policies, primarily for personnel and workplace issues.

7. Agents, Intermediaries and Joint Ventures

7.1 Agents and Intermediaries

Question
7.1.1 Does the company have a clear policy on the use of agents?
Score
2
Comments
<p>There is evidence that the company has a policy to regulate the use of agents, or 'advisers', which addresses the corruption risks associated with their use and provides details of specific controls to mitigate these risks. As part of this policy, the company commits to establishing and verifying that the use of an adviser is, in each case, necessary to perform a legitimate business function. There is evidence that this policy applies to all divisions within the organisation that might employ advisers, including subsidiaries.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf <p>[p.6] Who does this Code of Conduct apply to? Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders.</p> <p>The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal.</p> <p>Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.</p> <p>We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p> <p>[p.50] Working with advisers</p> <p>Our standard We will only appoint advisers of known integrity, and we will require that their conduct meets our standards at all times.</p> <p>What it means to me The Company sometimes uses advisers – such as consultants, marketing representatives or distributors – to give guidance on our strategic approach in a particular country or to assist in marketing and distributing our products. Their role may, among many other activities, include providing us with general advice about the local business environment, assisting in discussions with government officials or supporting offset matters. There are a small number of employees who work with advisers and only a very few are authorised to appoint and sign contracts with them.</p> <p>If we intend to work with advisers, we must understand and always comply with the Company policy on the appointment, management and payment of advisers. Our policy describes the due diligence procedures and mandatory approval process we use in selecting and appointing advisers.</p> <p>Practical examples</p> </p>

Q. I recognise the need to appoint an adviser to assist in an export campaign currently being undertaken. Where can I find information to make sure that I appoint the adviser in the correct way?

A. Contact either the Legal department, the relevant Business Development representative or Adviser Point of Contact.

[10] Factsheets – Advisers (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20180829143447/1434589356941.pdf>

How do you use Advisers?

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 BAE Systems.

What's the issue with Advisers?

Some stakeholders are concerned that the use of advisers may be associated with corruption. We have a zero tolerance policy towards corruption and our Adviser Policy helps us address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of advisers.

What is your policy on Advisers?

Our Adviser 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, 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.

How do you make sure the policy is upheld?

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

[17] Policy Summaries – Advisers (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/advisers-summary-policy>

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

BAE Systems recognises that working with third parties, particularly in higher risk jurisdictions, can be a significant source of corruption risk. Our Advisers Policy, initially launched in 2007, helps us to address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of Advisers.

The Advisers Policy governs the appointment and management of all third parties engaged to guide, influence, promote, assist and support our sales and marketing efforts and / or the strategic development on the political context of our business, distributors and some security advisers.

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; and
- Assisting with assessing a security threat against BAE Systems.

The policy governs our process for selecting, appointing, managing, paying and terminating advisers. The Advisers Policy requires that:

- The Company 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; and
- Advisers are reviewed/reassessed every two years or when there is a significant change in circumstances.

Adviser appointments 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.

Employees involved in the appointment and management of advisers receive regular enhanced training on policy and procedure.

The Advisers Policy and procedures incorporate standards expressed in the OECD Convention on Combating Bribery of Foreign Government Officials in International Business Transactions, as they may be implemented in the laws of the countries in which BAE Systems operates. This includes compliance with the anti-bribery provisions of the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 as amended and other national laws as may be applicable.

We have significantly reduced the number of advisers we use since the introduction of our revised Advisers Policy in 2007. Our Advisers Policy endorses the Company's zero tolerance towards corruption.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.18] 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.

Adviser appointments 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.

Question
7.1.2 Does the company conduct risk-based anti-bribery and corruption due diligence when engaging or re-engaging its agents and intermediaries?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to engaging with third parties and agents. The company indicates that this due diligence is conducted before engaging agents and is repeated at least every two years or when there is a significant change in the business relationship. There is evidence that all agents are subject to enhanced due diligence.</p>
Evidence
<p>[10] Factsheets – Advisers (Document) Accessed 02/10/2019 https://www.baesystems.com/en/download-en/20180829143447/1434589356941.pdf The policy governs our process for selecting, appointing, managing, paying and terminating advisers. It requires that:</p> <ul style="list-style-type: none"> • 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. <p>How do you make sure the policy is upheld? Employees involved directly in dealings with advisers must undergo training on the policy. Compliance with the policy is monitored through our Operational Assurance Statement process.</p> <p>How do you govern the selection of Advisers? Adviser appointments are reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. 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.</p> <p>[17] Policy Summaries – Advisers (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/advisers-summary-policy BAE Systems recognises that working with third parties, particularly in higher risk jurisdictions, can be a significant source of corruption risk. Our Advisers Policy, initially launched in 2007, helps us to address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of Advisers.</p> <p>The Advisers Policy governs the appointment and management of all third parties engaged to guide, influence, promote, assist and support our sales and marketing efforts and / or the strategic development on the political context of our business, distributors and some security advisers.</p> <p>The policy governs our process for selecting, appointing, managing, paying and terminating advisers. The Advisers Policy requires that:</p> <ul style="list-style-type: none"> • The Company 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; and

- Advisers are reviewed/reassessed every two years or when there is a significant change in circumstances.

Adviser appointments 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.

Employees involved in the appointment and management of advisers receive regular enhanced training on policy and procedure.

The Advisers Policy and procedures incorporate standards expressed in the OECD Convention on Combating Bribery of Foreign Government Officials in International Business Transactions, as they may be implemented in the laws of the countries in which BAE Systems operates. This includes compliance with the anti-bribery provisions of the US Foreign Corrupt Practices Act, the UK Bribery Act 2010 as amended and other national laws as may be applicable.

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 30/01/2020

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.14] 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.

[p.18] 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.

Question
7.1.3 Does the company aim to establish the ultimate beneficial ownership of its agents and intermediaries?
Score
2
Comments
<p>There is evidence that the company aims to establish the beneficial ownership of third parties, including agents, at the outset of the business relationship and every two years. There is evidence that the company commits to independently verify the beneficial ownership information of agents, and the company indicates that it will not engage or terminate its engagement with agents if beneficial ownership cannot be established.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf</p> <p>[p.14] 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.</p> <p>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.</p> <p>[p.18] 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.</p> <p>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.</p> <p>The policy governs our process for selecting, conducting due diligence on, appointing, managing, paying and terminating advisers. It requires that:</p> <ul style="list-style-type: none"> > 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. <p>Employees involved directly in dealings with advisers must undergo training on the policy. Compliance with the policy is monitored through our OAS process.</p> <p>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.</p>

[10] Factsheets – Advisers (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20180829143447/1434589356941.pdf>

The policy governs our process for selecting, 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

How do you govern the selection of Advisers?

Adviser appointments are reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. 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.

[17] Policy Summaries – Advisers (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/advisers-summary-policy>

The policy governs our process for selecting, appointing, managing, paying and terminating advisers. The Advisers Policy requires that:

- The Company 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; and
- Advisers are reviewed/reassessed every two years or when there is a significant change in circumstances.

Question
7.1.4 Does the company's anti-bribery and corruption policy apply to all agents and intermediaries acting for or on behalf of the company, and does it require anti-bribery and corruption clauses in its contracts with these entities?
Score
2
Comments
<p>There is evidence to indicate that the company's anti-bribery and corruption policy applies to agents acting for or on behalf of the company. The company indicates that all agents are subject to anti-bribery and corruption clauses in their contracts, which include audit and termination rights.</p>
Evidence
<p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.50] We will only appoint advisers of known integrity, and we will require that their conduct meets our standards at all times.</p> <p>We demand that all of our advisers, consultants and distributors comply with our policies and the local laws and regulations that govern their activities. If we are ever aware of any possible violation of these policies, laws or regulations by an adviser we must report it to our Legal department.</p> <p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.14] Due diligence and contracting Risk based due diligence 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.</p> <p>[p.18] 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.</p> <p>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.</p> <p>The policy governs our process for selecting, conducting due diligence on, appointing, managing, paying and terminating advisers. It requires that:</p> <ul style="list-style-type: none"> > 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. <p>Employees involved directly in dealings with advisers must undergo training on the policy. Compliance with the policy is monitored through our OAS process.</p> <p>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</p>

adviser appointments are subject to on-going monitoring and review and require reappointment and refreshed due diligence every two years.

[10] Factsheets – Advisers (Document)

Accessed 02/10/2019


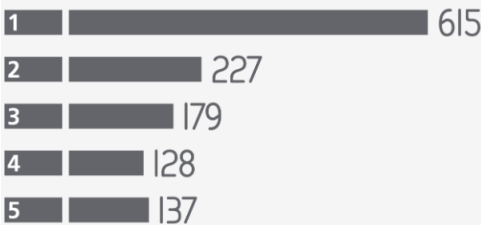
<https://www.baesystems.com/en/download-en/20180829143447/1434589356941.pdf>

[p.1] The policy governs our process for selecting, 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.

Question
7.1.5 Does the company ensure that its incentive schemes for agents are designed in such a way that they promote ethical behaviour and discourage corrupt practices?
Score
1
Comments
<p>There is some evidence that the company highlights incentive structures for agents as a factor in bribery and corruption risk. The company indicates that there must be a compelling justification for the remuneration proposed and states payment terms are reviewed by its Business Development Adviser Compliance Panel.</p> <p>However, the company receives a score of '1' because it does not provide further details on how incentive structures for agents are designed to minimise risks of anti-bribery and corruption. For example, there is no evidence that the company imposes a threshold on the payment of sales commissions to agents, nor that it commits to paying remuneration into local bank accounts or in stage payments based on clear milestones.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.18] 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.</p> <p>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.</p> <p>The policy governs our process for selecting, conducting due diligence on, appointing, managing, paying and terminating advisers. It requires that:</p> <p>[...]</p> <p>> There is a clearly demonstrated business case for retaining the adviser and compelling justification for the remuneration proposed.</p> <p>Employees involved directly in dealings with advisers must undergo training on the policy. Compliance with the policy is monitored through our OAS process.</p> <p>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.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.50] We never use our third parties to make payments or arrangements that we would be uncomfortable making directly.</p>

Question
7.1.6 Does the company publish details of all agents currently contracted to act with and on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the agents or 'advisers' currently contracted to act for or and on its behalf.
Evidence
No evidence found.

Question																		
7.1.7 Does the company publish high-level results from incident investigations and sanctions applied against agents?																		
Score																		
0																		
Comments																		
The company publishes some high-level information about its ethics enquiries and disciplinary actions involving employees and third parties, however it is not clear whether this includes agents or 'advisers'. The company receives a score of '0' because the data published does not provide any information on ethics enquiries, investigations launched or disciplinary actions taken as they relate to agents, nor does it publish a statement that it has no agent incidents or investigations to report.																		
Evidence																		
<p>[23] 2018 Ethics Data (Webpage) Accessed 21/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data</p> <p><i>Ethics</i> Employee and third party ethics enquiries and dismissals for reasons relating to unethical behaviour.</p> <p><i>Total ethics enquiries</i> Employees can speak up via our network of over 160 Ethics Officers or by contacting our 24-hour Ethics Helpline by phone, email or an external website to ask for support or report concerns, anonymously if required. In 2018, there were a total of 1,286 ethics enquiries. All concerns raised were reviewed and reported either to the Ethics Review Committee or, in BAE Systems, Inc., to the Ethics Review Oversight Committee. The Group continues to encourage employees to speak up, so we can address issues or behaviours we consider unacceptable.</p> <div><p>Total ethics enquiries¹</p><table><tr><th>Year</th><th>Total ethics enquiries</th></tr><tr><td>2018</td><td>1,286</td></tr><tr><td>2017</td><td>1,280</td></tr></table></div> <p>All Enquiries reported to Ethics Officers and via the Ethics Helpline were reviewed and reported either to the Ethics Review Committee or, in BAE Systems Inc, to the Ethics Review Oversight Committee.</p> <p>Ethics enquiries by type 2018 ethics enquiries by type¹</p>  <table><tr><th>Type</th><th>Count</th></tr><tr><td>1</td><td>615</td></tr><tr><td>2</td><td>227</td></tr><tr><td>3</td><td>179</td></tr><tr><td>4</td><td>128</td></tr><tr><td>5</td><td>137</td></tr></table> <div><div>1</div><div>Guidance and advice</div></div> <div><div>2</div><div>Employee relations and conduct</div></div> <div><div>3</div><div>Management practices</div></div> <div><div>4</div><div>Accounting charges practices</div></div> <div><div>5</div><div>Other</div></div>	Year	Total ethics enquiries	2018	1,286	2017	1,280	Type	Count	1	615	2	227	3	179	4	128	5	137
Year	Total ethics enquiries																	
2018	1,286																	
2017	1,280																	
Type	Count																	
1	615																	
2	227																	
3	179																	
4	128																	
5	137																	

Almost half of the ethics contacts are requests for guidance and advice. We encourage employees to contact us as early as possible when a potential incident can still be prevented by timely advice.

Dismissals for reasons relating to unethical behaviour²



If an employee is found to be in breach of the Group’s Code of Conduct or any other relevant policies, appropriate disciplinary action, which may result in dismissal, is taken. In 2018, 219 employees were dismissed for reasons relating to breaches of the Group’s standards and policies, primarily for personnel and workplace issues.

7.2 Joint Ventures

Question
7.2.1 Does the company conduct risk-based anti-bribery and corruption due diligence when entering into and operating as part of joint ventures?
Score
1
Comments
<p>There is evidence that the company has formal procedures to conduct risk-based anti-bribery and corruption due diligence prior to entering a joint venture partnership, which includes checks on the beneficial ownership of the partner company. There is evidence that the company conducts enhanced due diligence where required, but it is not clear whether this would include joint ventures operating in high risk markets or with high risk partners, such as state-owned enterprises.</p> <p>The company receives a score of '1' because there is no clear evidence to indicate that it repeats due diligence on its joint ventures at least every two years.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.14] Due diligence and contracting</p> <p>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.</p> <p>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.</p>

Question
7.2.2 Does the company commit to incorporating anti-bribery and corruption policies and procedures in all of its joint venture relationships, and does it require anti-bribery and corruption clauses in its contracts with joint venture partners?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company establishes and implements anti-bribery and corruption policies in its controlled joint ventures, by ensuring that they follow its Operational Framework (OF) and anti-corruption programme. In addition, it takes active steps to encourage the joint ventures which are not fully controlled by BAE Systems to adopt substantially equivalent standards in relation to anti-bribery and corruption. The company indicates that its joint venture contracts include anti-corruption provisions and can include audit and termination rights.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 30/01/2020 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.12] All other companies and entities controlled by BAE Systems are required to uphold standards which are substantially equivalent to the Code.</p> <p>Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to the Code.</p> <p>[p.14] 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.</p> <p>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.</p> <p>All new acquisitions and controlled JV's are governed by our OF and follow our anti-corruption programme.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.6] Who does this Code of Conduct apply to? Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders.</p> <p>The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal.</p> <p>Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.</p> <p>We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p>

[p.26] Bribery, gifts and entertainment

Our standard

We will never offer, give or receive bribes or inducements for any purpose, either directly or through a third party.

What it means to me

We do not tolerate or condone bribery or other forms of corrupt activity. Even the suggestion of corruption may damage the reputation of the Company and affect our ability to do business. It may also bring the personal integrity of individuals into question. Employees, advisers, consultants, distributors, joint venture partners, offset and industrialisation partners, suppliers or anyone else who may be acting on the Company's behalf must not offer, give or receive bribes or corrupt payments.

A bribe includes any direct or indirect payment, benefit or gift offered, given or received with the purpose of improperly influencing a decision or outcome. The payment does not necessarily have to be of large value. It could be as simple as a lunch or an invitation to a sporting event. Payments, gifts or other benefits provided to or through a third party, such as a decision maker's relative or business partner, could also be a bribe under certain circumstances.

Question
7.2.3 Does the company commit to take an active role in preventing bribery and corruption in all of its joint ventures?
Score
2
Comments
<p>There is evidence that the company commits to take an active role in preventing bribery and corruption its joint ventures. The company indicates that it may do this in practice by providing training to employees in controlled joint ventures and by appointing employees to board positions – or comparable bodies in non-controlled joint ventures – to encourage equivalent standards of governance.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.14] Due diligence and contracting</p> <p>[...] 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.</p> <p>All new acquisitions and controlled JV's are governed by our OF and follow our anti-corruption programme.</p> <p>[p.22] 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.</p> <p>[1] Code of Conduct (Document) Accessed 01/10/2019 https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf [p.6] Who does this Code of Conduct apply to?</p> <p>Our Code is mandated for all employees, including all members of the Board of Directors. Each of us, wherever we work, is required to behave in accordance with these standards when dealing with fellow employees and business partners, including customers, suppliers, contractors, competitors and other stakeholders.</p> <p>The standards, laid out at the beginning of each section of the Code, support the relevant Company policies which are embedded within our Operational Framework. Failure to comply with the Code amounts to a failure to comply with BAE Systems' policies and processes, and may result in disciplinary action, which could include dismissal.</p> <p>Joint ventures controlled by BAE Systems are required to uphold standards which are substantially equivalent to this Code. Joint ventures not controlled by BAE Systems are encouraged to adopt standards that are substantially equivalent to this Code.</p> <p>We encourage our business partners to adopt the same or equivalent standards of ethical business conduct as set out in our Supplier Principles – Guidance for Responsible Business.</p>

8. Offsets

Question
8.1 Does the company explicitly address the corruption risks associated with offset contracting, and is a dedicated body, department or team responsible for oversight of the company's offset activities?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has policies and procedures in place to address corruption risks associated with offset contracting. The company indicates that a dedicated team is responsible for the monitoring and oversight of the company's offset activities throughout the lifecycle of each project. There is evidence that all relevant employees receive tailored anti-bribery and corruption training based on the potential corruption risks associated with offsets. In addition, the company indicates that it ensures that its offset partners adhere to its anti-bribery and corruption standards through appropriate contractual clauses.</p>
Evidence
<p>[18] Policy summaries – Offset (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/offset-summary-policy</p> <p>The policy applies to BAE Systems plc, its wholly owned subsidiaries and their respective employees. All other companies and entities controlled by BAE Systems plc have a substantially equivalent policy applicable to their respective employees.</p> <p>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.</p> <p>We have offset commitments 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.</p> <p>BAE Systems applies a risk based review and approval process depending on the type of Offset that is being undertaken and the location in which the offset is being provided.</p> <p>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:</p> <ul style="list-style-type: none"> • 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; and • financial and non-financial risks are clearly assessed and mitigated. <p><i>Governance</i></p> <p>Our businesses have skilled personnel who 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, and by the Compliance function which assists with conducting due diligence on our offset partners. 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.</p> <p>Training on both the commercial and the compliance considerations related to offset activity is provided to all relevant employees.</p> <p>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. All offset proposals are endorsed by the Board.</p>

[19] Factsheet – Offset (Document)

Accessed 02/10/2019

<https://www.baesystems.com/en/download-en/20180830121349/1434589360594.pdf>

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

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 21/10/2019

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.17] 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.

Question
8.2 Does the company conduct risk-based anti-bribery and corruption due diligence on all aspects of its offset obligations, which includes an assessment of the legitimate business rationale for the investment?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company has formal procedures in place to conduct risk-based anti-bribery and corruption due diligence on its offset obligations with evidence that the company assures itself of the legitimacy of the investment. There is evidence that the company conducts checks on the beneficial ownership of offset brokers and indicates that it may conduct similar checks on the beneficiaries of offset projects, and there is evidence that it repeats due diligence on brokers every two years.</p> <p>Although the company does not specifically state that it conducts conflict of interest checks on its offset brokers, the company indicates that it seeks to identify any areas of concern or unethical behaviour through extensive due diligence, and this is deemed sufficient for a score of '2'.</p>
Evidence
<p>[18] Policy summaries – Offset (Webpage) Accessed 02/10/2019 https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/offset-summary-policy BAE Systems applies a risk based review and approval process depending on the type of Offset that is being undertaken and the location in which the offset is being provided.</p> <p>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:</p> <ul style="list-style-type: none"> • 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; and • financial and non-financial risks are clearly assessed and mitigated. <p><i>Governance</i> Our businesses have skilled personnel who 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, and by the Compliance function which assists with conducting due diligence on our offset partners. 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.</p> <p>[...] 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. All offset proposals are endorsed by the Board.</p> <p>[19] Factsheet – Offset (Document) Accessed 02/10/2019 https://www.baesystems.com/en/download-en/20180830121349/1434589360594.pdf [p.1] 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.</p> <p>[p.2] 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.</p> <p>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.</p>

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

[22] Our Approach to Ethics and Anti-corruption (Document)

Accessed 30/01/2020

<https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf>

[p.14] 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 also has the right to audit and review the business.

[p.17] 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.

[...] 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.

[p.18] 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:

[...] > Assisting with offset and counter-trade arrangements.

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.

Question
8.3 Does the company publish details of all offset agents and brokers currently contracted to act with and/or on behalf of the company?
Score
0
Comments
There is no evidence that the company publishes any details of the offset agents, brokers or consultancy firms currently contracted to act with and on behalf of its offset programme.
Evidence
No evidence found.

Question
8.4 Does the company publish details about the beneficiaries of its indirect offset projects?
Score
0
Comments
There is no evidence that the company publishes any details of its offset obligations and contracts.
Evidence
No evidence found.

9. High Risk Markets

Question
9.1 Does the company have enhanced risk management procedures in place for the supply of goods or services to markets or customers in countries identified as at a high risk of corruption?
Score
2
Comments
<p>Based on publicly available information, there is evidence that the company acknowledges the corruption risks associated with operating in different markets. There is evidence that it has a risk assessment process in place to account for these specific risks, with clear risk management procedures in place. There is some indication that the results of risk assessments have a direct impact on business decisions and inform the development and implementation of additional controls.</p>
Evidence
<p>[22] Our Approach to Ethics and Anti-corruption (Document) Accessed 21/10/2019 https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf [p.9] Assessing risk within our anti-corruption programme</p> <p>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.</p> <p>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.</p> <p>[p.10] Risk management process</p> <p>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.</p> <p>The Board delegates oversight of certain risk management activities to the Audit and Corporate Responsibility committees as follows:</p> <ul style="list-style-type: none"> > 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. <p>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.</p> <p>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.</p> <p>[p.20] Improving our anti-corruption programme and improving industry standards We continuously improve and evolve our anti-corruption programme by:</p> <ul style="list-style-type: none"> > 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.

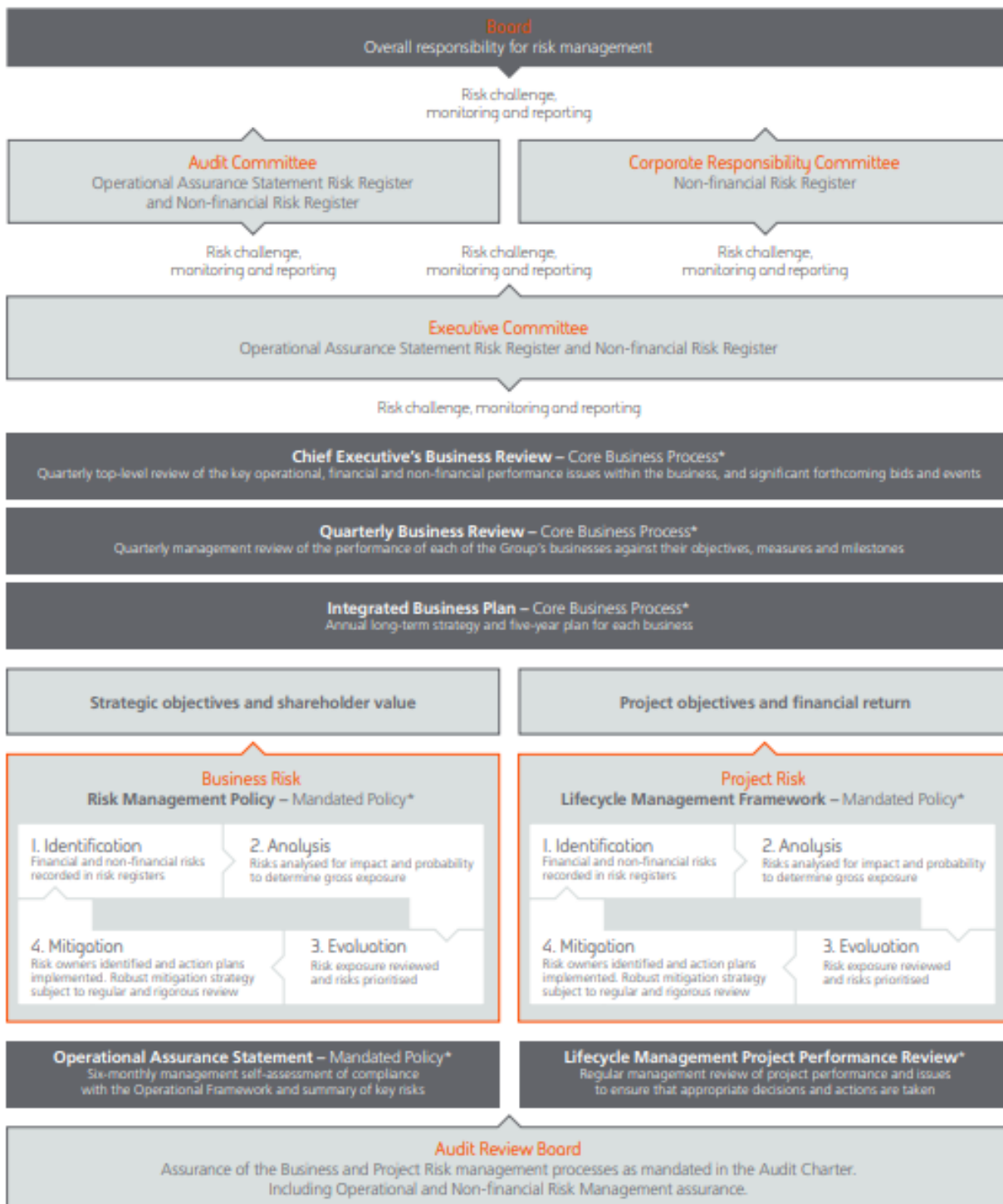
[3] Annual Report 2018 (Document)

Accessed 01/10/2019

<https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf>

[p.67] Risk management framework

Risk management framework



[p.69] 3. International Markets

The Group operates in international markets.

BAE Systems is an international company conducting business in a number of regions, including the US and the Middle East. The risks of operating in some countries include: social and political changes impacting the business environment; economic downturns, political instability and civil disturbances; the imposition of restraints on the movement of capital; the introduction of burdensome taxes or tariffs; change of export control and other government policy and regulations in the UK, US and all other relevant jurisdictions; and the inability to obtain or maintain the necessary export licences.

[17] Policy Summaries – Advisers (Webpage)

Accessed 02/10/2019

<https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/advisers-summary-policy>

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

BAE Systems recognises that working with third parties, particularly in higher risk jurisdictions, can be a significant source of corruption risk. Our Advisers Policy, initially launched in 2007, helps us to address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of Advisers.

Question	
9.2 Does the company disclose details of all of its fully consolidated subsidiaries and non-fully consolidated holdings (associates, joint ventures and other related entities)?	
Score	
1	
Comments	
<p>There is evidence that the company publishes a list of its fully consolidated subsidiaries and non-fully consolidated holdings, including any associates, joint ventures and other related entities. For each entity, the company discloses its percentage ownership and for most entities the company provides the country of incorporation by publishing its registered address. There is evidence that this list is current and updated on at least an annual basis.</p> <p>However, the company receives a score of '1' because it does not publish the country of operation for each entity.</p>	
Evidence	
<p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.201] 35. Information about related undertakings</p> <p>In accordance with Section 409 of the Companies Act 2006, a full list of subsidiaries and equity accounted investments as at 31 December 2018 is disclosed below. Unless otherwise stated, the Group's shareholding represents ordinary shares held indirectly by BAE Systems plc, the year end is 31 December and the address of the registered office is Warwick House, PO Box 87, Farnborough Aerospace Centre, Farnborough, Hampshire GU14 6YU, United Kingdom. For companies incorporated outside of the United Kingdom, the country of incorporation is shown in the address. No subsidiary undertakings have been excluded from the consolidation.</p> <p>Subsidiaries – wholly-owned</p> <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <p>4219 Lafayette, LLC¹ 4219 Lafayette Center Drive, Chantilly VA 20151, United States</p> <p>Aerosystems International Limited Lupin Way, Alvington, Yeovil, Somerset BA22 8UJ, United Kingdom</p> <p>Alvis Limited</p> <p>Alvis Pension Scheme Trustees Limited</p> <p>Alvis Vickers Limited</p> <p>Armstrong Whitworth Aircraft Limited²</p> <p>ASC Shipbuilding Pty Limited Level 2, 80 Flinders Street, Adelaide SA 5000, Australia</p> <p>Australian Marine Engineering Corporation (Finance) Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>Avro International Aerospace Limited²</p> <p>BAE Systems (Al Diriyah C4I) Limited²</p> <p>BAE Systems (Aviation Services) Limited</p> <p>BAE Systems (Canada) Inc. 220 Laurier Avenue West, Suite 1200, Ottawa ON K1P 5Z9, Canada</p> <p>BAE Systems (Combat and Radar Systems) Limited 4th Floor, St. Paul's Gate, 22-24 New Street, St. Helier JE1 4TR, Jersey</p> <p>BAE Systems (Consultancy Services) Limited</p> <p>BAE Systems (Corporate Air Travel) Limited</p> <p>BAE Systems (CS&SI – Qatar) Limited²</p> <p>BAE Systems (Defence Systems) Limited</p> <p>BAE Systems (Dynamics) Limited</p> <p>BAE Systems (Farnborough 1) Limited</p> <p>BAE Systems (Farnborough 2) Limited</p> <p>BAE Systems (Farnborough 3) Limited</p> <p>BAE Systems (Finance) Limited</p> <p>BAE Systems (Funding Three) Limited</p> <p>BAE Systems (Funding Two) Limited</p> <p>BAE Systems (Gripen Overseas) Limited</p> <p>BAE Systems (Hawk Synthetic Training) Limited</p> <p>BAE Systems (Holdings) Limited²</p> </div> <div style="width: 33%;"> <p>BAE Systems 2000 Pension Plan Trustees Limited²</p> <p>BAE Systems AB⁵ Box 5676, SE-114 86 Stockholm, Sweden</p> <p>BAE Systems Al Diriyah Programme Limited²</p> <p>BAE Systems Applied Intelligence (Asia Pacific) Pte Limited United Square, 101 Thomson Road, #25-03/04, 307591, Singapore</p> <p>BAE Systems Applied Intelligence (Australia) Pty Limited Level 12, 16-20 Bridge Street, Sydney NSW 2000, Australia</p> <p>BAE Systems Applied Intelligence (Belgium) NV Geldenaaksebaan 329, B-3001, Heverlee, Leuven, Belgium</p> <p>BAE Systems Applied Intelligence (Connect) A/S c/o Kromann Reumert, Sundkrogsvej 5, Copenhagen East, 2100, Denmark</p> <p>BAE Systems Applied Intelligence (GCS) Limited Surrey Research Park, Guildford, Surrey GU2 7YP, United Kingdom</p> <p>BAE Systems Applied Intelligence (Germany) GmbH Mainzer Landstrasse 50, 60325 Frankfurt am Main, Germany</p> <p>BAE Systems Applied Intelligence (Integration) Limited Surrey Research Park, Guildford, Surrey GU2 7YP, United Kingdom</p> <p>BAE Systems Applied Intelligence (International) Limited Priestley Road, Surrey Research Park, Guildford, Surrey GU2 7YP, United Kingdom</p> <p>BAE Systems Applied Intelligence (Ireland) Limited Level 5, Block 4, Dundrum Town Centre, Sandyford Road, Dundrum, Dublin 16, D16 A4W6, Ireland</p> <p>BAE Systems Applied Intelligence (Japan) KK 12/F Ark Mori Building, 1-12-32 Akasaka, Minato-ku, Tokyo, Japan 107-6024</p> <p>BAE Systems Applied Intelligence (Luxembourg) SARL 412F Route d'Esch, L-2086, Luxembourg</p> <p>BAE Systems Applied Intelligence (Spain) S.A. Paseo de la Castellana, 141, Cuzco IV, 28046 Madrid, Spain</p> <p>BAE Systems Applied Intelligence (UK) Limited</p> <p>BAE Systems Applied Intelligence A/S c/o Kromann Reumert, Sundkrogsvej 5, Copenhagen East, 2100, Denmark</p> <p>BAE Systems Applied Intelligence Canada Inc. 1959 Upper Water Street, Suite 900, Halifax NS B3J 2X2, Canada</p> </div> <div style="width: 33%;"> <p>BAE Systems Australia (Electronic Systems) Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia (NSW) Holdings Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia (NSW) Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia (Singapore) Pte Limited⁸ 60 Paya Lebar Road, #08-43 Paya Lebar Square, 409051, Singapore</p> <p>BAE Systems Australia Datagate Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Defence Holdings Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Defence Pty Limited⁹ Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Holdings Limited² Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Logistics Pty Limited⁴ Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Australia Sea Sentinel Project Pty Limited Evans Building, Taranaki Road, Edinburgh Parks, Edinburgh SA 5111, Australia</p> <p>BAE Systems Avionics Singapore Pte Limited One Marina Boulevard, #28-00, Singapore 018989, Singapore</p> <p>BAE Systems Bofors AB SE-691 80 Karlskoga, Sweden</p> <p>BAE Systems Bofors Holdings Sdn Bhd Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia</p> <p>BAE Systems C-ITS AB Box 5676, SE-114 86 Stockholm, Sweden</p> <p>BAE Systems China (Exports) Limited</p> <p>BAE Systems Communications Limited²</p> </div> </div>	

[List continues on pages 202-203]
[p.204]

Subsidiaries – not wholly-owned

Advanced National Company for Aircraft Maintenance Limited (88.1%)
PO Box 1732, Riyadh 11441, Saudi Arabia

Aircraft Accessories & Components Co Limited (75.6%)
PO Box 13532, Jeddah 21434, Saudi Arabia

Aircraft Research Association Limited (87.1%)²
Manton Lane, Bedford MK41 7FF, United Kingdom

ARA Pension Fund Trustees Limited (87.1%)
Manton Lane, Bedford MK41 7FF, United Kingdom

BAE Systems Saudi Development and Training Company Limited (87.3%)²¹
PO Box 67775, Riyadh 11517, Saudi Arabia

BAE Systems SDT (UK) Limited (87.3%)

Flight Control System Management GmbH (66.6%)²³
PO Box 801109, 81663 Munich, Germany

Hadrian Properties, Inc. (95%)¹⁴
521 Fifth Avenue, New York NY 101075, United States

International Systems Engineering Company Limited (79.9%)
PO Box 54002, Riyadh 11514, Saudi Arabia

Overhaul and Maintenance Company Holding (88.1%)
PO Box 1732, Riyadh 11441, Saudi Arabia

Saudi Maintenance & Supply Chain Management Company Limited (51%)
PO Box 1732, Riyadh 11441, Saudi Arabia

Saudi Technology & Logistics Services Limited (65%)²
PO Box 1732, Riyadh 11441, Saudi Arabia

SMSCMC (UK) Limited (51%)

Equity accounted investments

Abercromby Property International (20.42%)
521 Fifth Avenue, New York NY 101075, United States

Advanced Electronics Company Limited (44%)
PO Box 90916, Riyadh 11623, Saudi Arabia

Air Astana (49%)⁷
Zakarpatskaya Str 4A, 050039 Almaty, Kazakhstan

AMSH B.V. (50%)²²
Weena 210-212, 3012 NJ Rotterdam, Netherlands

BAeHAL Software Limited (40%)^{2,24}
Airport Lane, HAL Estate, Bangalore 560010, India

BHIC Bofors Defense Asia Sdn Bhd (49%)
Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia

Canadian Naval Support Limited (50%)²⁴
3099 Barrington Street, Halifax NS B3K 5M7, Canada

CTA International SAS (50%)
13 Route De La Minière, 78034 Versailles Cedex, France

Data Link Solutions L.L.C. (50%)^{1,17}
400 Collins Ave, Cedar Rapids IA 52498, United States

Eurofighter Aircraft Management GmbH (33%)^{2,13}
Am Soldnermoos 17, 85399 Hallbergmoos, Germany

Eurofighter Jagdflugzeug GmbH (33%)²
Am Soldnermoos 17, 85399 Hallbergmoos, Germany

European Aerosystems Limited (50%)^{2,20}

FADEC International LLC (50%)¹
1098 Clark Street, Endicott NY 13760, United States

FAST Holdings Limited (50%)^{14,20}

FAST Training Services Limited (50%)¹⁴

FNSS Savunma Sistemleri A.Ş. (49%)²³
PK 37, Gölbaşı 06830, Ankara, Turkey

Gripen International KB (50%)^{1,13}
SE-581 88 Linköping, Sweden

MBDA Holdings SAS (25%)
1 Avenue Réaumur, 92350 Le Plessis-Robinson, France

Nobel Business Support AB (34%)
SE-691 80 Karlskoga, Sweden

Nurol BAE Systems Hava Sistemleri Anonim Şirketi (49%)²¹
Üniversiteler Mah. 1605.Cad, No:3/1-3, 06800, Ankara, Turkey

Panavia Aircraft GmbH (42.5%)²
Am Soldnermoos 17, 85399 Hallbergmoos, Germany

Reaction Engines Limited (18%)²³
Hill House, 1 Little New Street, London EC4A 3TR, United Kingdom

Saab Bofors Test Center AB (30%)
SE-691 80 Karlskoga, Sweden

Saab-BAE Systems Gripen AB (50%)²
SE-581 88 Linköping, Sweden

Sealand Support Services Limited (33.3%)⁸
MoD Sealand, Welsh Road, Sealand, Deeside, Flintshire CH5 2LS, United Kingdom

Seele-Alvis Fenestration Limited (43.5%)^{8,20}
Unit A44, Jack's Place, 6 Corbett Place, London E1 6NN, United Kingdom

SIKA International Limited (50%)^{15,20}

Spectrum Technologies Limited (20%)^{2,24}
Western Avenue, Bridgend Industrial Estate, Bridgend, Mid Glamorgan CF31 3RT, United Kingdom

Winner Developments Limited (33.3%)

Notes

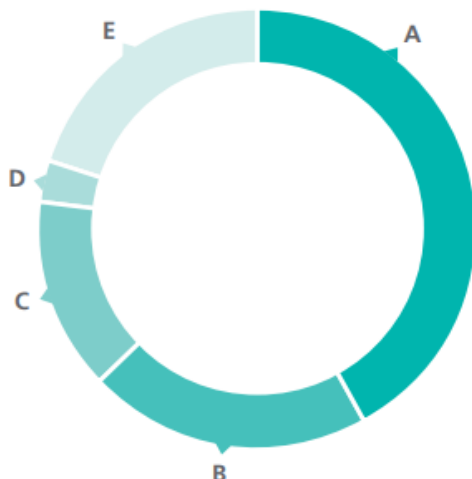
1. Unincorporated entity for which the address given is the principal place of business.
2. Directly owned by BAE Systems plc.
3. Ownership held in class of A shares, B shares and preference shares.
4. Ownership held in class of A shares and B shares.
5. Ownership held in ordinary shares and preference shares.
6. Ownership held in common shares.
7. Ownership held in common stock.
8. Year end 30 June.
9. Ownership held in ordinary shares and redeemable preference shares.
10. Ownership held in authorized shares.
11. 40% owned by BAE Systems plc.
12. Unlimited company.
13. In liquidation.
14. Year end 31 March.
15. In members' voluntary liquidation.
16. Year end 5 April.
17. Year end 30 September.
18. In strike off.
19. Ownership held in ordinary shares and class of A shares.
20. Ownership held in class of A shares.
21. 1% owned by BAE Systems plc.
22. 33.3% owned by BAE Systems plc.
23. Ownership held in class of B shares.
24. Ownership held in common shares and B Preferred shares.

[p.205] 36. Events after the reporting period

In January 2019, the Group announced an agreement with Rheinmetall to create a joint UK-based military land vehicle design, manufacturing and support business. Rheinmetall will purchase a 55% stake in the existing BAE Systems UK-based combat vehicles business, with BAE Systems retaining 45%. The establishment of the new joint venture is subject to regulatory approvals which are anticipated to be completed in the first half of 2019. Once the approvals have been completed, the joint venture will be known as Rheinmetall BAE Systems Land (RBSL). The UK-based combat vehicles business is presented as held for sale at 31 December 2018 (see note 18).

As a part of a planned reorganisation of the Group's portfolio of interests in a number of industrial companies in Saudi Arabia, the Group completed the disposal of its 75.6% shareholding in Aircraft Accessories and Components Company (AACC) in January 2019. AACC is presented as held for sale at 31 December 2018 (see note 18).

Question										
9.3 Does the company disclose its beneficial ownership and control structure?										
Score										
2										
Comments										
There is evidence that the company is publicly listed on the London Stock Exchange. Therefore, it is not required to disclose further information on its beneficial ownership structure and automatically receives a score of '2', as per the scoring criteria.										
Evidence										
<p>[20] Financial Times Markets Data (Webpage) Accessed 02/10/2019 https://markets.ft.com/data/equities/tearsheet/summary?s=BA.:LSE</p> <div><div>BAE Systems PLC</div><div>BA.:LSE ▼</div><div>Industrials > Aerospace & Defense</div><table><tr><th>PRICE (GBX)</th><th>TODAY'S CHANGE</th><th>SHARES TRADED</th><th>1 YEAR CHANGE</th><th>BETA</th></tr><tr><td>544.70</td><td>↓ -19.50 / -3.46%</td><td>2.67m</td><td>↓ -11.49%</td><td>1.1775</td></tr></table><div>Data delayed at least 20 minutes, as of Oct 02 2019 16:12 BST.</div></div>	PRICE (GBX)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA	544.70	↓ -19.50 / -3.46%	2.67m	↓ -11.49%	1.1775
PRICE (GBX)	TODAY'S CHANGE	SHARES TRADED	1 YEAR CHANGE	BETA						
544.70	↓ -19.50 / -3.46%	2.67m	↓ -11.49%	1.1775						

Question															
9.4 Does the company publish a percentage breakdown of its defence sales by customer?															
Score															
2															
Comments															
<p>There is evidence that the company publishes information about its defence sales in the form of a percentage breakdown per customer. The company provides a percentage breakdown of its major customers that account for 80 percent of its sales in its Annual Report. Although the company does not explicitly state that these percentages account for defence sales, it is sufficiently clear from the accompanying information that the figures provided primarily represent sales in the defence sector.</p>															
Evidence															
<p>[3] Annual Report 2018 (Document) Accessed 01/10/2019 https://investors.baesystems.com/~media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf [p.20]</p> <p>Sales¹ by destination</p>  <table><tr><td>A</td><td>US</td><td>42%</td></tr><tr><td>B</td><td>UK</td><td>21%</td></tr><tr><td>C</td><td>Saudi Arabia</td><td>14%</td></tr><tr><td>D</td><td>Australia</td><td>3%</td></tr><tr><td>E</td><td>Other international markets²</td><td>20%</td></tr></table> <p>1. Revenue plus the Group's share of revenue of equity accounted investments. 2. Includes £0.7bn (4%) of sales generated under the Typhoon workshare agreement with Eurofighter Jagdflugzeug GmbH.</p> <p>[p.20] The US continues to represent the single largest defence market in the world and BAE Systems remains a top ten defence supplier in the US.</p> <p>On 28 September, the fiscal year 2019 Defense Appropriations bill was enacted. This is the first time since 2008 that the Department of Defense had funding in place by the 1 October start of the fiscal year, which provided near-</p>	A	US	42%	B	UK	21%	C	Saudi Arabia	14%	D	Australia	3%	E	Other international markets²	20%
A	US	42%													
B	UK	21%													
C	Saudi Arabia	14%													
D	Australia	3%													
E	Other international markets²	20%													

term clarity for the industry and demonstrated strong bi-partisan support for defence funding as part of the two-year agreement passed in early 2018.

The enacted Defense Appropriations bill maintains support for our medium-term planning assumptions and positive momentum for military readiness and modernisation programmes. The portfolio of the US-based business is well aligned with customer priorities and growth areas, which include combat vehicles, precision-guided munitions, naval ship repair and modernisation services, electronic warfare, and space security.

BAE Systems has strong positions on a number of premier defence programmes, including F-35 Lightning II, Paladin self-propelled howitzer, Armored Multi-Purpose Vehicle and Amphibious Combat Vehicle, and we are a leader in advanced electronic systems, real-time intelligence and analysis, naval gun systems and artillery systems. In addition to our position on US defence programmes, the US-based portfolio is also focused on Foreign Military Sales and direct international sales to allied nations.

We continue to deliver on existing commercial programmes, including engine and flight controls, and electric drive propulsion systems.

BAE Systems remains the largest defence company in the UK, with strong and long-standing relationships with the Ministry of Defence.

The UK is Europe's largest defence market and, after a period of budgetary decline, defence spending has stabilised. The Autumn Budget reinforced the UK government's commitment to defence and security spending, as well as the continued pledge to maintain spending at 2% of GDP. Additionally, the UK Combat Air Strategy announced in July is a significant milestone, sending a strong signal of intent for the UK's commitment to retaining a leading position in Combat Air. The strategy will enable long-term planning and joint government and industry investment in next-generation combat air systems.

In light of the UK's referendum decision to leave the EU, the government has signalled its intent to continue to play a major role in defence and security co-operation in Europe. The final agreement of the terms of the UK's exit from the EU after March 2019 will be important to enable companies to prepare for potential changes in the regulatory environment. There is relatively limited UK-EU trading and movement of EU nationals into and out of BAE Systems' UK businesses, and the resulting Brexit near-term impacts across the business are likely to be limited. BAE Systems will support the UK government in achieving its aim of ensuring that the UK maintains its key role in European security and defence post-Brexit, and to strengthen bilateral relationships with key partners in Europe.

The UK government provides vital support in the pursuit of international export opportunities, recognising the value that BAE Systems and the defence industry contributes to the UK economy.

BAE Systems plays an important role in providing capabilities to support the UK government and armed forces across the air, maritime, land and cyber domains. Our involvement across the major UK defence programmes, including Typhoon aircraft, Queen Elizabeth Class aircraft carriers, Type 26 frigates, and Astute and Dreadnought Class submarines, maintains our diverse skillsets, allowing us to provide a vital advantage to our customers. Our UK-managed cyber business has a focused investment strategy to ensure that we support our commercial and government customers as cyber security becomes an increasingly important part of a sophisticated and persistent threat environment.

[p.21] The Kingdom of Saudi Arabia continues to be a significant military power and one of the largest defence markets globally.

Saudi Arabia has a strong commitment to defence and security spending driven by regional security instability.

Saudi Arabia's Vision 2030 strategy to promote In-Kingdom industrialisation and diversification away from reliance on oil continues to shape our activities in support of Saudi Arabia's national objectives of technology development, local skills, and the development of an indigenous defence industry and capability. Through the restructuring of the Group's portfolio of interests in a number of Kingdom of Saudi Arabia industrial companies along with sustaining current industrialised capability and building on our strong history in Saudi Arabia, we are working in partnership to continue to deliver these priorities with the Saudi Arabian Military Industries (SAMI) organisation to explore how we can collaborate to deliver further In-Kingdom Industrial Participation.

We remain well placed as a leading in-country contractor in support of air defence platforms and training systems for the Royal Saudi Air Force, as well as support for mine countermeasure vessels for the Royal Saudi Naval Forces.

BAE Systems is one of the largest defence companies in Australia, with strong activities across all domains. Regional instability and the pace of military modernisation in the Asia-Pacific region continue to drive the government's commitment to defence spending, with major recapitalisation programmes under way in the air, maritime and land domains.

The government has indicated its intent to grow defence spending by committing to spend 2% of GDP by 2020/21. As part of this commitment, the government has made clear its objective to build a stronger and more sustainable domestic defence industry, ensuring that over time the nation has in place a sovereign industrial base that has the skills, knowledge and capability to manage and support the platforms and systems it has invested in.

We are well positioned to support this through an established business and a workforce based at more than 25 sites across the country, in addition to our ability to leverage our international positions within the Group to support domestic Australian products in export markets.

We currently provide support to the Australian Defence Force through engineering, programme management and sustainment solutions, including the Jindalee Operational Radar Network upgrade, Hawk Lead-In Fighter support, F-35 Lightning II sustainment, and Anzac frigate support and upgrade.

The award to BAE Systems Australia in 2018 of the nine-ship Hunter Class Frigate programme, to be built at the ASC shipyard facility in Adelaide, will in time give the business a balanced portfolio of build and support work.

BAE Systems has many strong and enduring relationships in other international markets.

Regional security tensions, the growing emphasis on indigenous capabilities and varying economic conditions continue to influence defence spending internationally. In Asia-Pacific and the Middle East, BAE Systems has developed and seeks to further relationships with partners and customers in a number of countries.

In Qatar, the contract to provide Typhoon and Hawk aircraft along with a bespoke support and training package became effective in September.

In Oman, where we completed the delivery of the final Typhoons in 2018, we provide support to Typhoon and Hawk aircraft and naval vessels.

We have a strong presence in Sweden through our BAE Systems Hägglunds business supplying and supporting tracked vehicles for international customers.

In Turkey we are collaborating on the first development phase of an indigenous fifth-generation fighter jet, TF-X, for the Turkish Air Force and we maintain our position in armoured combat vehicles through the FNSS joint venture. In India, we have long-established relationships with local industry partners Hindustan Aeronautics Limited on Hawk aircraft and with Mahindra Defence Systems on M777 ultra-lightweight howitzers.

In Malaysia, we are a supplier to the armed forces, both directly and through joint ventures. We have set up a Global Engineering Centre in Kuala Lumpur focusing on local delivery and global support of our cyber and financial crime detection services.

Our US businesses export combat vehicles and precision weapon systems to a number of international customers and leverage further international markets through our partnerships in defence and commercial electronics.

Through our shareholding in MBDA, our position in the missiles and missile systems market continues to grow in European and other international markets.

10. State-Owned Enterprises (SOEs)

Question
10.1 Does the SOE publish a breakdown of its shareholder voting rights?
Score
N/A
Comments
N/A
Evidence

Question
10.2 Are the SOE's commercial and public policy objectives publicly available?
Score
N/A
Comments
N/A
Evidence

Question
10.3 Is the SOE open and transparent about the composition of its board and its nomination and appointment process?
Score
N/A
Comments
N/A
Evidence

Question
10.4 Is the SOE's audit committee composed of a majority of independent directors?
Score
N/A
Comments
N/A
Evidence

Question
10.5 Does the SOE have a system in place to assure itself that asset transactions follow a transparent process to ensure they accord to market value?
Score
N/A
Comments
N/A
Evidence

List of Evidence & Sources

No.	Type (Webpage or Document)	Name	Download Date	Link
01	Document	Code of Conduct	01/10/2019	https://www.baesystems.com/en/download-en/20180420163808/1434612708846.pdf
02	Document	Corporate Responsibility Committee – Terms of Reference	01/10/2019	https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/cr-committee-terms-of-reference-december-2018.pdf
03	Document	Annual Report 2018	01/10/2019	https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/results-and-reports/results/2018/annual-report-2018.pdf
04	Document	Audit Committee – Terms of Reference	01/10/2019	https://investors.baesystems.com/~/_media/Files/B/Bae-Systems-Investor-Relations-V3/PDFs/board-committees/audit-committee-terms-of-reference-december-2018.pdf
05	Webpage	Deloitte assurance statement 2018	01/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-deloitte-assurance-statement
06	Webpage	Policy Summaries – Conflicts of Interest	01/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/conflicts-of-interest-summary-policy
07	Webpage	Policy Summaries – Lobbying, Political Donations and other Political Activity	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/lobbying-political-donations-and-other-political-activity
08	Webpage	Trust and Integrity – Training and Awareness	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/trust-and-integrity/training-and-awareness
09	Webpage	Policy Summaries – Lobbying and Political support	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/find-out-more/lobbying-and-political-support
10	Document	Factsheet – Advisers	02/10/2019	https://www.baesystems.com/en/download-en/20180829143447/1434589356941.pdf
11	Webpage	Policy Summaries – Gifts and Hospitality	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/gifts-and-hospitality-summary-policy
12	Document	Factsheet – Supplier Due Diligence	02/10/2019	https://www.baesystems.com/en/download-en/20180830123132/1434589360878.pdf
13	Document	Supplier Principles	02/10/2019	https://www.baesystems.com/en/download-en/20190517100034/1434591580212.pdf
14	Webpage	Policy Summaries – Procurement	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/procurement-summary-policy
15	Webpage	Responsible Trading Principles	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/principles
16	Webpage	Suppliers and Supply Chain	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/suppliers-and-supply-chain
17	Webpage	Policy Summaries – Advisers	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/advisers-summary-policy
18	Webpage	Policy Summaries – Offset	02/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/policy-summaries/offset-summary-policy

19	Document	Factsheet – Offset	02/10/2019	https://www.baesystems.com/en/download-en/20180830121349/1434589360594.pdf
20	Webpage	Financial Times Markets Data	02/10/2019	https://markets.ft.com/data/equities/tearsheet/summary?s=BA.:LSE
21	Webpage	How Our Business Works – Governance Framework	18/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/how-our-business-works/governance-framework
22	Document	Our Approach to Ethics and Anti-corruption	30/01/2020	https://www.baesystems.com/en/download-en/20200121113819/1434636829917.pdf
23	Webpage	2018 Ethics Data	21/10/2019	https://www.baesystems.com/en/our-company/corporate-responsibility/useful-links/cr-data-centre/2018-cr-data/2018-ethics-data
24	Document	Factsheet – Lobbying and Political Activity	21/10/2019	https://www.baesystems.com/en/download-en/20180830120819/1434593826988.pdf
25	Document	Corporate Responsibility Summary 2018	30/01/2020	https://www.baesystems.com/en/download-en/20190508124553/1434632200604.pdf
26	Document	UK Modern Slavery Act Response 2020	09/05/2020	https://www.baesystems.com/en/download-en/20200330174830/1434647710828.pdf