

Modern Slavery Statement

BAE Systems Australia

Reporting entities covered by this statement

BAE Systems Australia Holdings Limited ACN 008 648 333 (BAE Systems Australia Holdings) is a company incorporated and operating in Australia. It is ultimately wholly-owned by BAE Systems Plc, Company Number 1470151, a company incorporated in England and Wales and listed on the London Stock Exchange.

BAE Systems Australia Holdings is filing this statement on behalf of the BAE Systems Australia group of companies, specifically:

- > BAE Systems Australia Limited, ACN 008 423 005;
- > BAE Systems Australia Defence Pty Ltd, ACN 006 870 846; and
- > ASC Shipbuilding Pty Limited, ACN 051 899 864.

Together, the above companies are referred to as the BAE Systems Australia Group.

Due to the nature of operations, this statement does not apply to BAE Systems Applied Intelligence Pty Ltd, ACN 111 187 270. It should be noted however, that BAE Systems Applied Intelligence Pty Ltd adopts similar approaches to assessing, managing and addressing modern slavery risks in line with our global modern slavery policies mandated by BAE Systems Plc.

This statement was approved by the Executive Leadership Team on 15 May 2024 in its capacity as the principal governing body of the BAE Systems Australia Group.

The Executive Leadership Team comprises the statutory Directors and the Company Secretary of all companies in the BAE Systems Australia Group, as well as other executive leaders.

Whilst BAE Systems Australia Holdings has filed this statement, BAE Systems Australia Holdings is the holding company of the BAE Systems Australia Group and does not have any outward facing operations or undertake external procurement.

During this reporting period, consultation between entities was conducted as follows: a modern slavery working group was established, formed by employees of the BAE Systems Australia Group. The working group's objectives were to frame expectations, raise awareness, and understand the approach to mitigating modern slavery risks employed by each operating member of the BAE Systems Australia Group. The working group was then empowered to collaboratively develop this statement.



This statement is signed by Ben Hudson in his role as a Director of BAE Systems Australia Holdings Limited, and Director and Chief Executive Officer of BAE Systems Australia Limited, on 15 May 2024

Introduction

We are committed to conducting business responsibly. By consistently maintaining and improving systems and processes, and raising awareness with our employees and direct suppliers, we inherently reduce the risk of slavery and human trafficking in our business and supply chain.

Our expectations for our suppliers are communicated through our Supplier Principles and contract terms and conditions.

We expect that our suppliers will not engage in any form of modern slavery, including human trafficking and forced, bonded or indentured labour. All work should be voluntary on the part of the employee. Suppliers should allow employees to freely choose to work or to leave employment. Our suppliers are expected to provide all employees with a written contract or offer letter (depending on the jurisdiction of employment) in their local language clearly indicating their rights and responsibilities with regard to wages, working hours, benefits and other working and employment conditions and, where legally required, register that contract.

We also expect our suppliers to ensure that child labour is not used in the performance of work. The term 'child' refers to any person under the minimum legal age for employment where the work is performed, and/or the minimum working age as defined by the International Labour Organization (ILO), whichever is higher.

This statement is made pursuant to the Modern Slavery Act 2018 (Cth) and sets out the steps the BAE Systems Australia Group has taken to identify and prevent slavery and human trafficking in our business and supply chain.

<https://www.baesystems.com/en/sustainability/responsible-supply-chain/suppliers/supplier-principles>

What we achieved in 2023

Rolled out supply risk landscape training, including a human rights module

Continued to deliver modern slavery training to targeted employees

Enhanced our modern slavery due diligence in our supplier evaluation process, including initial risk assessment and supplier questionnaire

Conducted risk based assurance on suppliers to confirm adoption of our supplier principles

Assessed our supplier locations and categories of goods / services to identify high risk suppliers

Included sub-tier visibility criteria for high risk suppliers

Commenced re-evaluation of existing suppliers against new requirements

What we plan to achieve in 2024

Continue to deliver supply chain risk landscape training to procurement professionals

Continue to deliver modern slavery training to targeted employees

Continue to conduct risk-based assurance with suppliers to confirm adoption of our Supplier Principles

Provide detailed requirements for sub-tier mapping in the selection and implementation of our future procurement system

Development of supply chain incident process, including modern slavery incidents

Continued re-evaluation of existing suppliers against new due diligence requirements

Modern Slavery KPIs

71%



of procurement professionals have completed modern slavery awareness training

0



instances of modern slavery identified in our supply chain;

0



Number of calls to Ethics Helpline regarding human rights and modern slavery in our business operations or supply chain

30%



of suppliers by value reviewed against our Supplier Principles.

Overview of BAE Systems structure, operations and supply chain

About BAE Systems Australia

The BAE Systems Australia Group has a 70 year history of equipping and supporting the Australian Defence Force with world leading technologies and equipment to help maintain a capability edge.

As the nation's largest defence and security company, working across air, maritime, land and cyber domains, our success is built on collaboration and partnerships across industry, academia and within the communities in which we operate.

The Australian Government, acting through the Department of Defence, is our principal Australian customer. Many of our contracts are entered into with the Australian Government and cover a wide range of defence procurements, generally as a result of competitive tender processes. These contracts are typically lengthy, complex and of considerable value.

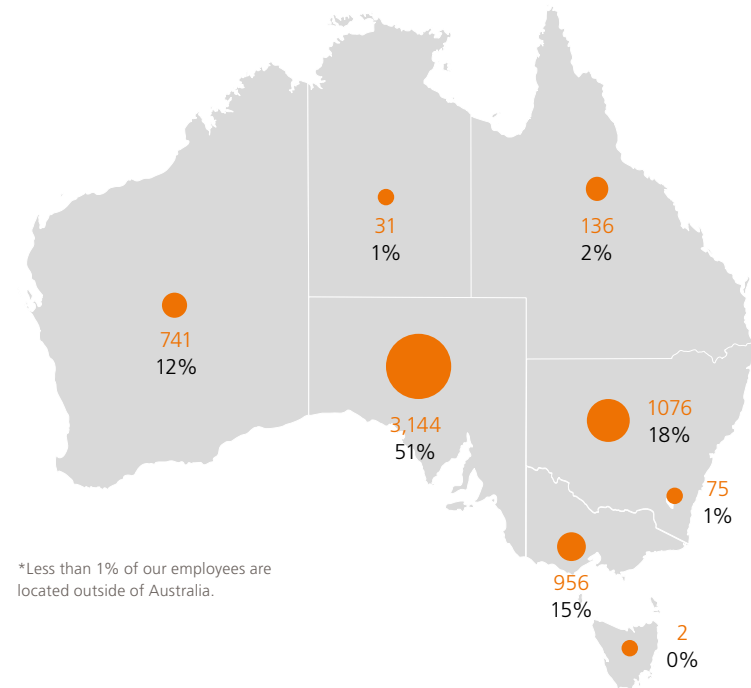
Our other customers include:

- > private companies in Australia;
- > private foreign companies; and
- > foreign governments.

Generally, we enter into our contracts as prime contractor (through one of the entities within the BAE Systems Australia Group). However, in some cases we contract with another defence industry prime contractor, and therefore operate as a first or lower-tier subcontractor to a Government procurement.

Our contracts are entered into for a wide range of defence programs, which operate on an acquisition basis (i.e. the design, development, and commissioning of a new defence capability), or a sustainment basis (i.e. ongoing support for and servicing of existing defence capabilities). From time to time, our customers order ad-hoc goods and services from us, either in connection with the main contract or on an independent basis.

Structure, operations and workforce



We employ a skilled workforce of more than 6,000 people across 40 sites around Australia. A number of employees also work overseas on assignment, on secondment and as subcontractors.

Supply chain overview

Our ambition in procurement is to be responsible and sustainable across our business. We cannot achieve this alone. Therefore, it is important that we collaborate and partner with suppliers to make a positive business impact over the long-term.

In 2023, the BAE Systems Group spent more than \$860m with more than 1,670 directly contracted suppliers and partners from around the world. Our relationships with suppliers are often long-term due to the average length of our products' lifecycles, so we aim to work with suppliers who embrace standards of ethical behaviour consistent with our own and often partner with them to help build and grow sovereign capabilities that will support the nation's industrial resilience.

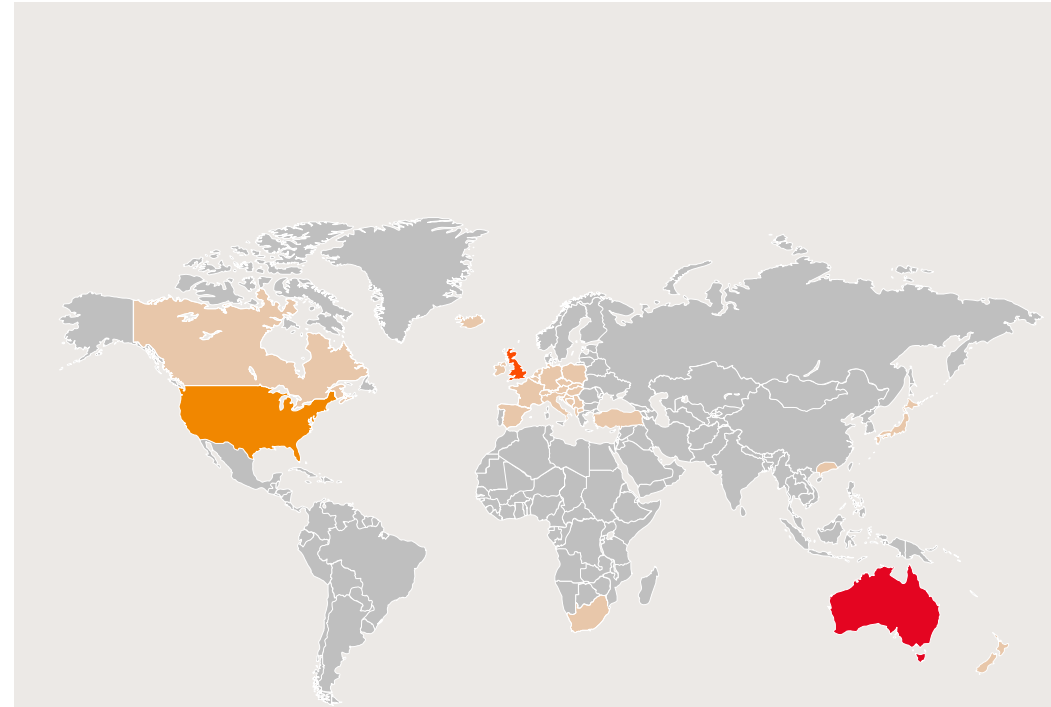
We purchase a wide range of products from our directly contracted supply network, which is primarily based in Australia, the UK, the European Union and the USA. These products are either integrated into the equipment and solutions we sell to our customers (direct purchases), or are used to support the efficient running of our internal operations (indirect purchases).

Direct purchases vary in complexity, from raw materials (such as steel for our shipbuilding, aluminium and titanium for our aircraft manufacture), to complex electronic systems and propulsion systems for our air, sea and land vehicles. Other direct purchases include platform support, maintenance services, and IT solutions, including those for cyber security and protection.

Purchases can be 'off the shelf' catalogue items such as electronic components, to semi-custom 'modified off the shelf' items such as power supplies, through to fully bespoke unique items procured via a major subcontract, such as propulsion systems, flight control systems, weapon systems, and their associated ground test equipment.

In many cases our direct suppliers have second and third tier suppliers that supply them with raw materials, components or sub-assemblies.

Indirect purchases include travel providers, manufacturing consumables and temporary subcontract labour.



Tier One supplier locations

	Australia	86%
	United Kingdom	5%
	United States	5%
	Other	4%

Assessment of modern slavery risk in our operations

We have considered the location of our employees and the type of work undertaken as the basis for assessing and understanding the modern slavery risks in our operations. Insofar as our operations are concerned, the services that we provide directly to our customers are typically of a highly complex nature requiring a high level of skill, training and education. Further, all directly employed staff are required to be Australian citizens, permanent residents or have the legal right to work in Australia.

Due to the nature of the industry we work in and the customers we support, all potential employees and contingent workers for our Australian businesses go through a pre-employment vetting process covering identity, employment and academic history, nationality and right to work status and criminal record checks.

Our workforce based in Saudi Arabia supports training activities and comprises instructor pilots, aircraft maintenance, other specialists and management personnel. All are highly skilled and educated employees who are recruited and supported by a team based in Australia, who complete their recruitment in accordance with Australian laws and policies.

Risks may potentially arise from the engagement of third-party contracted labour performing work on our behalf. However, such labour is engaged solely in Australia and, for the reasons outlined below (including our due diligence activities in respect of all of our suppliers), we consider any modern slavery risks to be low.

We maintain processes designed to ensure that all employees have a contract of employment or offer letter clearly indicating their rights and responsibilities with regard to wages, working hours, benefits and other working and employment conditions. Our processes are designed to ensure we do not retain any original form of employee identification (passports or work permits), nor destroy or deny access to such documentation, as a condition of employment unless required by applicable law.

Assessment of modern slavery risk in our supply chain

We continue to assess modern slavery risks within our Tier One, directly contracted supply chain based on where our suppliers are located (geographical risk) and the goods and services provided (products and services risk). The assessments of geographical and products and services risks were completed with reference to the Global Slavery Index 2023.

Products and services risk

We have undertaken a review of our procured products and services and have identified several categories which are considered inherently higher risk for modern slavery.

Categories recognised as high risk due to the potential for some workers being from vulnerable populations, such as unskilled workers include:

- > catering;
- > cleaning;
- > temporary labour; and
- > construction.

Categories recognised as high risk also include sourcing materials from countries where there are higher risks of modern slavery arising due to a lack of regulation and oversight and/or where there is inherent risk in a lower tier supply chain for raw materials for:

- > electronics;
- > raw materials; and
- > work wear.

Geographical risk

Our direct contracts continue to be primarily based with suppliers located in Australia, UK, the European Union and the USA. These countries present a low risk for modern slavery. Five of our directly contracted suppliers are in countries where there is a high risk of modern slavery.

Approximately

35%

of company suppliers contracted in 2023 fell into one or more of these categories.

Less than

1%

of company suppliers are based in locations that are considered high risk for modern slavery.

Actions taken to address modern slavery risks

Our approach to governance of human rights and modern slavery

We are committed to respecting and upholding human rights wherever we operate, in respect of activities under our full and direct control. This applies equally to our employees, our suppliers and business partners, all of whom are expected to adopt the same or similarly high standards of ethical behaviour. We are committed to conducting business responsibly and to maintaining and improving systems and processes to minimise the risk of slavery and human trafficking in our business or supply chain.

Our global human rights statement outlines our approach to responsible business behaviour, including in relation to anti-corruption and the environment, as well as our workplace, supply chain, local communities and products.

Our approach to human rights constitutes:

maintaining high ethical standards and acting in a socially responsible manner in accordance with applicable laws;

respecting and supporting the communities in which our businesses are located;

maintaining and improving policies and processes which relate to human rights wherever we operate, in respect of activities under our full and direct control;

respecting the labour and workplace rights of our employees in accordance with national laws;

responsible product development; and

appointing and working with suppliers and business partners who are expected to adopt high standards of ethical behaviour and business conduct, consistent with our own, in accordance with applicable national laws.

We are committed to conducting business responsibly and to maintaining and improving systems and processes to minimise the risk of slavery and human trafficking in our business and supply chain. For more information on our human rights approach and statement visit baesystems.com/humanrights

Governance

The BAE Systems Australia Group operates under a global Operational Framework mandated by BAE Systems Plc which sets out the principles of good governance.

The Board of BAE Systems Plc has overall accountability for the broad range of subjects that make up human rights – safety, ethics, responsible business conduct, diversity and inclusion, stakeholder and employee engagement and supplier conduct – areas which are part of our sustainability agenda. The Environment, Social and Governance (ESG) Committee of BAE Systems Plc's Board is dedicated to the oversight of the Company's performance in sustainability, including our approach to human rights across these areas.

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

Our commitment and approach to human rights is embedded across global policies and processes in our Operational Framework and in our Code of Conduct and is regularly reviewed.

Line Leaders, including the Chief Executive Officer of the BAE Systems Australia Group, are responsible for ensuring local compliance with the Operational Framework, including policies regarding human rights.

All employees are required to adhere to our Code of Conduct and group policies in addition to any specific requirements outlined in local policies.

Our global and local policies and processes for our operations cover:

- > supporting the rights of freedom of association and the effective recognition of the right to collective bargaining, where legal;
- > upholding elimination of all forms of forced and compulsory labour and effective abolition of child labour;
- > upholding elimination of discrimination in respect of employment and occupation;
- > supporting a precautionary approach to environmental challenges;
- > undertaking initiatives to promote greater environmental responsibility; and
- > working against corruption in all forms, including extortion and bribery.

We monitor our performance and

compliance with policies and processes via the twice yearly Operational Assurance Statement. This is made up of two parts:

- > a self-assessment by our business of compliance with our Operational Framework; and
- > a report showing the key financial and non-financial risks for the relevant business.

The key financial and non-financial risks identified are collated and reviewed by our Australian Lead Team and escalated to the BAE Systems Plc Executive Committee to identify those issues where the cumulative risk, or possible reputational impacts, could be significant. Those risks are then monitored via our Quarterly Business Review and Chief Executive Review processes.

We continue to review our directly controlled operations and policies to ensure they identify and mitigate human rights and modern slavery risks and incorporate best practice.

Code of Conduct

Our Code of Conduct contains a section on human rights, which includes modern slavery. It is supported by conversation-based ethics training which actively encourages all employees to speak up if they have a concern or talk to a colleague, their manager, HR or a legal contact if they need guidance.

All employees are required to undertake Code of Conduct refresher training annually. This annual training offers everyone in our business an opportunity to consider some of the challenges we face in our workplace, focusing on those that are particularly relevant to each team.

Governance in our supply chain

How can employees or suppliers raise concerns or report modern slavery?

We maintain a network of more than 20 Ethics Officers and we have a 24-hour independent Ethics Helpline that can be accessed by phone, email or an external website so that employees can ask for support or report a concern, including concerns in respect of human rights issues, such as modern slavery. We encourage employees to speak up without retribution and anonymously, if preferred.

Our Ethics Helpline is also available for third parties, including suppliers, to raise concerns or discuss issues. Third parties, including suppliers, can report a concern anonymously. Details of how to contact the Ethics Helpline are included within our Supplier Principles and on our website. If a call regarding human rights or modern slavery was received by our Ethics Helpline, the call would be escalated for review and allocated to a senior company representative for investigation.

Risk-based due diligence and audit activity is undertaken for all third parties with whom we engage, whether supplier, adviser, potential joint venture partner, acquisition opportunity or other third party. Where required, this may include establishing the identity of the third party in terms of beneficial ownership and gathering of sufficient information to assess relevant bribery and corruption risks. At the contracting stage, we stipulate our expectation that suppliers embrace our ethical values, including those set out in our Supplier Principles.

Prior to approving and selecting suppliers, we outline the products and services we need and establish a way to identify interested suppliers, including small businesses, taking into consideration risk of commodity and supplier location.

Once we have a shortlist of potentially suitable suppliers, those suppliers are asked to complete a questionnaire and risk-based due diligence is carried out, as appropriate, against a number of non-financial risks, which includes:

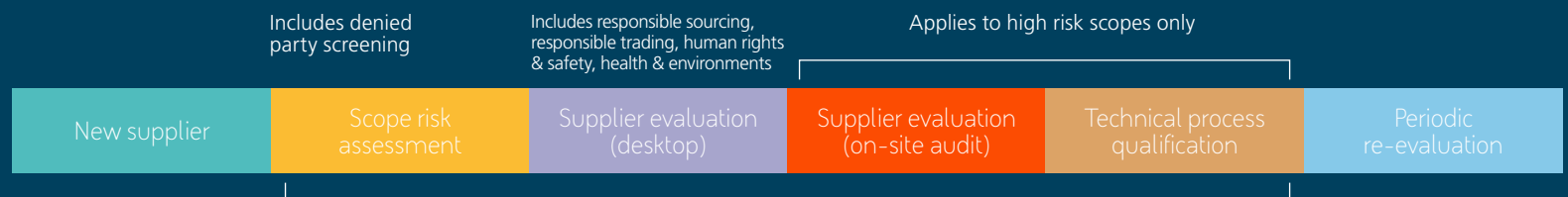
- > responsible trading principles – business ethics, anti-corruption and anti-bribery, governance and legislation;
- > human rights – working hours, harassment and unlawful discrimination, whistleblowing line, slavery, human trafficking and child labour;
- > health and safety – workplace and product safety;
- > environment – impact of operations and products;
- > management systems – environmental management systems certified to ISO14001; and
- > responsible sourcing including conflict minerals.

The output from the completed questionnaire and risk-based due diligence is assessed before suppliers (often after a competitive tender) are either approved on the quality assurance and finance system, or deemed unsuitable. In some cases, suppliers are approved with mitigation actions or corrective action plans. Each plan is specific to the supplier and project to which it is supplying.

For example, where a potential new supplier does not have a code of conduct in place or an equivalent standard to our own, we may support the supplier to develop and implement their own code of conduct. In this scenario, if the supplier is not prepared to do this, we may choose to use a different supplier.

Supplier due diligence process

We use the Dow Jones Supply Chain Compliance Toolkit as part of anti-corruption due diligence checks for both new and existing suppliers.



Any of these steps can result in a decision not to use the supplier or to initiate an improvement plan with the supplier.

Training

What will the company do if modern slavery is found in its supply chain?

If modern slavery or human trafficking activities were found within our operations or directly contracted suppliers, we would act immediately to cooperate fully with all relevant authorities to ensure that our work is not perpetuating modern slavery. This may include changing internal policies and processes, scoping corrective action plans for suppliers and, if appropriate, terminating our relationship with the supplier.

Our global Code of Conduct sets out clear expectations on ethical conduct and we offer training and support to help employees understand the right thing to do. Our Code of Conduct is mandated for all employees and Directors of the BAE Systems Australia Group. All employees are required to complete training annually.

Our procurement teams receive mandatory modern slavery awareness training as part of the new employee onboarding process. The awareness training is also available to all other employees on an opt-in basis.

Supply Chain Risk Landscape training, which covers a wide range of supply chain risks, including human rights and modern slavery was rolled out to procurement teams in 2023.

71% 

of company procurement professionals have received modern slavery awareness training since 2022

76% 

of company procurement professionals completed supply chain risk awareness training (including human rights) in 2023

Measuring the effectiveness of our actions

The table below describes the approach we take to assessing the effectiveness of our actions. We are focussed on continuous improvement of our response to tackling modern slavery.

	How do we assess the effectiveness of our actions?	Measure
Policy & governance	<p>We regularly review and assess the effectiveness of our policies and procedures as part of our global and local assurance, audit and risk frameworks.</p> <p>We complete internally mandated reporting, via the Operational Assurance Statement, to our local ELT and global Executive Committee every six months to confirm compliance to global Operational Framework policies.</p> <p>We undertake second line assurance to confirm adherence to and understanding of supply chain processes, including supplier selection, on-boarding and risk management.</p> <p>We undertake a quarterly Supply Chain Governance & Risk Review with senior Supply Chain leaders to provide feedback on assurance activities and seek input of risks that require further investigation and/or mitigation.</p>	<ul style="list-style-type: none">> Timely closure and remediation of audit actions, when required.> Number of non-compliances.
Supplier management	<p>Once a supplier has been approved and a contract has been executed, we continue to actively manage and monitor that supplier throughout the life of their contract, which may include on-site audits. This includes managing any significant changes in our relationship with the supplier as well as undertaking ongoing risk-based due diligence.</p> <p>Identified supplier non-financial risks are re-reviewed, depending on level of risk categorisation, via on-site audit, remote deep dive auditing activity or questionnaire, and progress against any mitigation actions or corrective action plans are monitored. If a supplier's level of risk increases, or gaps in performance are highlighted, performance improvement plans are put in place or enhanced.</p>	<ul style="list-style-type: none">> Number of suppliers assessed against new due diligence requirements.> Number of suppliers assessed as high risk for modern slavery.
Training	<p>We assess the effectiveness of our training by obtaining stakeholder feedback (e.g. through employee surveys).</p>	<ul style="list-style-type: none">> Number of employees who have completed training.
Ethics Helpline	<p>Ethics calls are escalated for review and allocated to a senior company representative for investigation.</p>	<ul style="list-style-type: none">> Number of calls to our ethics hotline regarding modern slavery.