



Modern Slavery Statement

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BAE SYSTEMS



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);
- BAE Systems Australia Defence Pty Ltd, ACN 006 870 846 (BAESA Defence); and
- ASC Shipbuilding Pty Limited, trading as BAE Systems Maritime Australia, ACN 051 899 864 (BAESMA).

Together, BAE Systems Australia Holdings, BAE Systems Australia, BAESA Defence, and BAESMA, 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 of BAE Systems Australia on 28th March 2022 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 both BAE Systems Australia Limited and ASC Shipbuilding Pty Limited. 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. In addition, senior executives from both BAE Systems Australia Limited and ASC Shipbuilding Pty Limited have been consulted and have approved the 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 28 March 2022.

Introduction

We are committed to conducting business responsibly and to maintaining and improving systems and processes that reduce the risk of slavery and human trafficking in our business and supply chain.

We expect that our suppliers shall not engage in any form of modern slavery, including human trafficking, 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 (Cth) 2018 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.

2021 achievements and plan for 2022

2021

During 2021 we undertook the following activities in relation to addressing modern slavery risk:

- took an enterprise approach to refreshing our supplier due diligence process, with representatives from all BAE Systems Australia Group entities involved in developing requirements;
- issued our first modern slavery statement;
- developed modern slavery training for employees who have influence over decisions that could introduce modern slavery risk;
- took part in an organisation-wide (global) pilot for the use of technology to manage and maintain information on our supply chains including lower tier suppliers;
- held functional governance boards; and
- established a supply chain risk and assurance team.

2022

During 2022 we will focus on building relationships with suppliers and developing enabling tools, including:

- reviewing standard supplier terms and conditions to promote supply chain visibility;
- continuing to embed the refreshed supplier due diligence process;
- continuing to mature our approach to supply chain risk management;
- evaluating and selecting technology to support supply chain mapping;
- beginning to apply sustainability metrics, including human rights and labour practices, for our supply chain; and
- continuing the roll out of mandatory modern slavery training to applicable employees.

Overview of BAE Systems structure, operations and supply chain

About BAE Systems Australia

Australia's Defence industry plays an indispensable role supporting the Australian Government's defence and security requirements.

For its part, BAE Systems Australia Group has been supporting the Australian Defence Force for almost 70 years.

We are constantly searching for new ways to provide our customers with a competitive edge across air, maritime, land and cyber domains.

With new programs across all domains, we are committed to increasing this for many years to come, continuing to support the local economy, advance Australian innovation and generate local jobs and investment. One of the ways we fulfil this commitment is through our Future Technologies Program, which sees us partner with a range of academic and industry leaders, helping us to drive innovation and enhance the capabilities we can deliver to customers.

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.

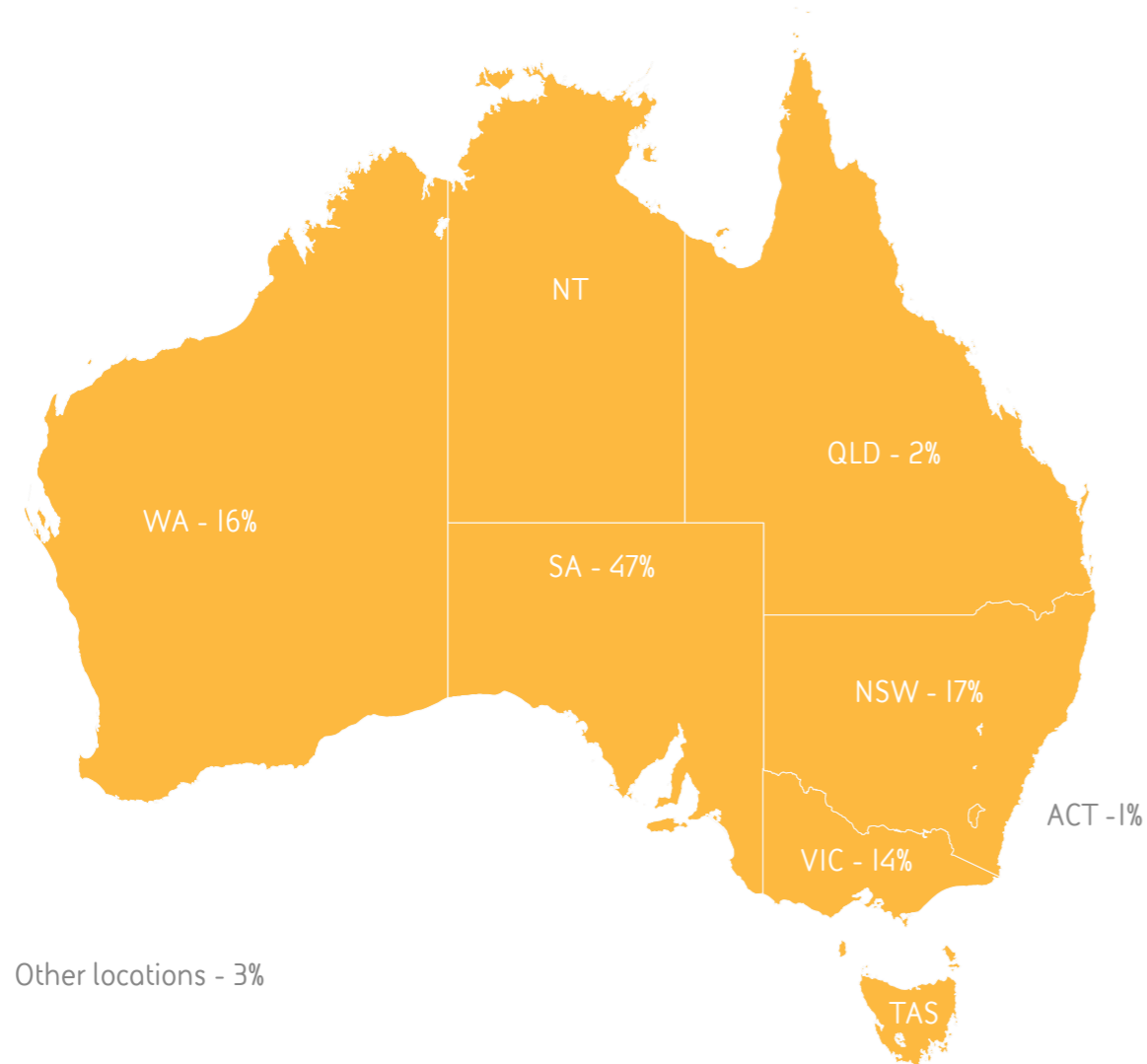
Generally, we enter into our contracts as prime contractor (through one of the entities within the BAE Systems Australia Group). However, in some cases we contract with another Defence industry prime contractor, and therefore operate as a first or lower-tier subcontractor to a Government procurement.

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 and servicing for 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 over 5,000 people across 30 major sites across the nation. A small number of employees also work overseas on assignment, secondments and as contractors.



Supply chain overview

Across 2021, the BAE Systems Australia Group had spend of more than \$700m, with over 1,600 directly contracted suppliers and partners from around the globe, and we recognise the role they play in supporting responsible business. 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.

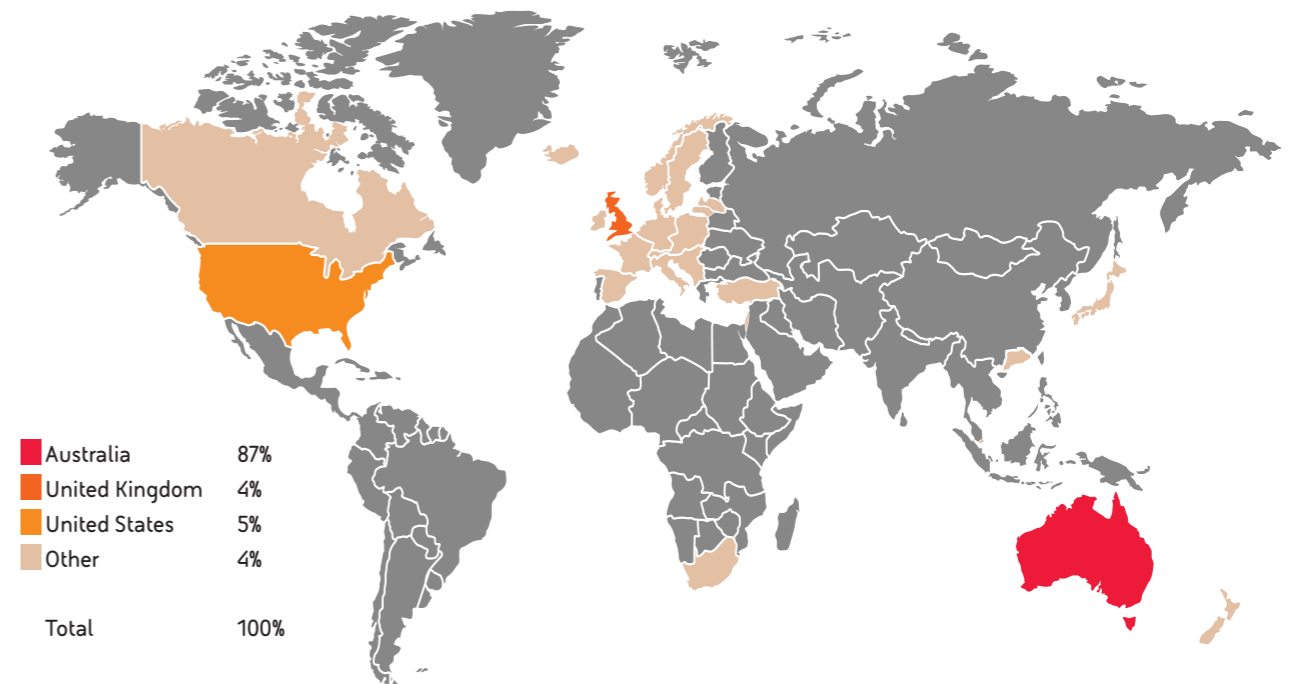
We purchase a wide range of products from our directly contracted supply network, which is primarily based in Australia, UK, the European Union or the USA. These products are either integrated into the products and solutions we sell to our customers (direct purchases), or are used to support the efficient 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 whom supply them with raw materials, components or sub-assemblies.

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



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 possess legal working rights in Australia.

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 policies and laws.

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.

Modern slavery risk in our supply chain

We have assessed modern slavery risks within our supply chain based on the location of our suppliers (geographical risk) and the goods and services provided (products and services risk). Our assessment focusses on risks in our directly contracted suppliers with risks in our lower tier supply chain to be considered in future years.

of modern slavery arising from a lack of regulation and oversight and/or where there is inherent risk in lower tier supply chain for raw materials:

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

Approximately 20% of suppliers contracted in 2021 fell into these categories and will be considered a priority for reassessment through our updated supplier due diligence process.

Geographical risk

We primarily place direct contracts with suppliers based in Australia, UK, the European Union and the USA. These countries present a low risk for modern slavery. None of our directly contracted suppliers are in countries where there is a high risk of modern slavery. Less than one percent of our suppliers are based in locations that are considered medium risk for modern slavery. These suppliers will be considered a priority for reassessment through our updated supplier due diligence process.

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:

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

Categories recognised as high risk due to the materials being sourced in countries where there are higher risks

Actions we have taken to assess and address modern slavery risks

Governance

BAE Systems Australia Group operates under a global Operational Framework mandated by BAE Systems plc which sets out the principles of good governance which, in the UK, support compliance with the UK Modern Slavery Act 2015. These principles, together with our culture, guide our work and behaviour.

The five elements that comprise BAE Systems Australia Group system of internal controls are:

- global Operational Framework (being the primary corporate governance framework);
- Australian policies and procedures;
- internally mandated reporting and reviews under the Operational Framework and Australian policies and procedures, which provide visibility of the business' performance;
- the Operational Assurance Statement process which confirms BAE Systems Australia Group's compliance to the Operational Framework; and
- continuous independent assessment of the effectiveness of internal controls by the Internal Audit team.

Our Code of Conduct and other global policies and processes mandated under our Operational Framework, together with our supporting principles and guidance on responsible trading and suppliers, support our commitment to human rights and are regularly reviewed. This results, for example, in due diligence being carried out during the supplier evaluation stage against non-financial risks, including human rights, working hours, harassment and unlawful discrimination, anti-whistleblowing, slavery, human trafficking and child labour.

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.

Supplier due diligence process

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, anti-corruption and anti-bribery, governance and legislation;
- human rights - working hours, harassment and unlawful discrimination, whistleblowing hotline, slavery, human trafficking and child labour;
- health and safety - workplace and product safety;
- environment - impact of operations and products;
- responsible sourcing including conflict minerals.

From this analysis the risks are assessed, mitigation actions are placed and suitable suppliers (often after a competitive tender) are then approved within our system or deemed unsuitable.

In some cases, suppliers are approved with corrective action plans. Each corrective action plan is specific to the supplier and the project to which it is supplying. An example may be where a potential new supplier may not have a Code of Conduct in place or an equivalent standard to our own. The action may be to have the supplier affirm that their business operations align to our Supplier Principles (available at www.baesystems.com), or if they are not prepared to do this, we may choose to use a different supplier.

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

Supplier management

Directly contracted suppliers are subject to regular performance monitoring and periodic re-evaluation, under the supplier due diligence process. Corrective action / improvement plans can result from either activity.

Grievance mechanisms

We encourage employees to speak up, without retribution and anonymously if preferred, 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, including concerns in respect of human rights issues. Our Ethics Helpline is also available for third parties, including suppliers, to raise concerns or discuss issues. Details of how to contact the Ethics Helpline are included within our Supplier Principles and on our website.

What would the company do if modern slavery were found in its supply chain?

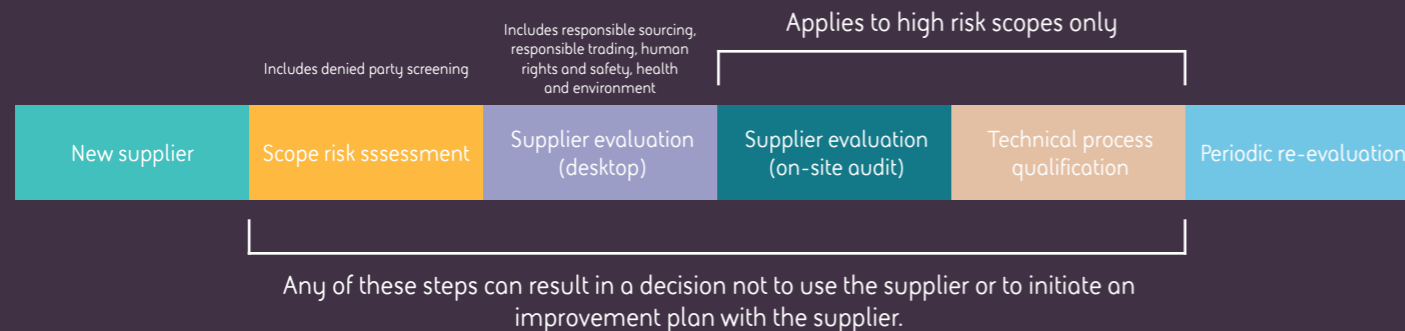
If modern slavery or human trafficking was found within our directly contracted suppliers, we would act immediately to work with the supplier and relevant authorities to understand the circumstances of what has been found and to put in place corrective actions to help the affected workers and protect 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.

Training

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.

Training regarding modern slavery awareness was developed in 2021 and is now mandatory for employees who have influence over decisions that could introduce modern slavery risk (e.g. procurement, supplier quality and recruitment).

Supplier due diligence process



How do we assess the effectiveness of our actions?

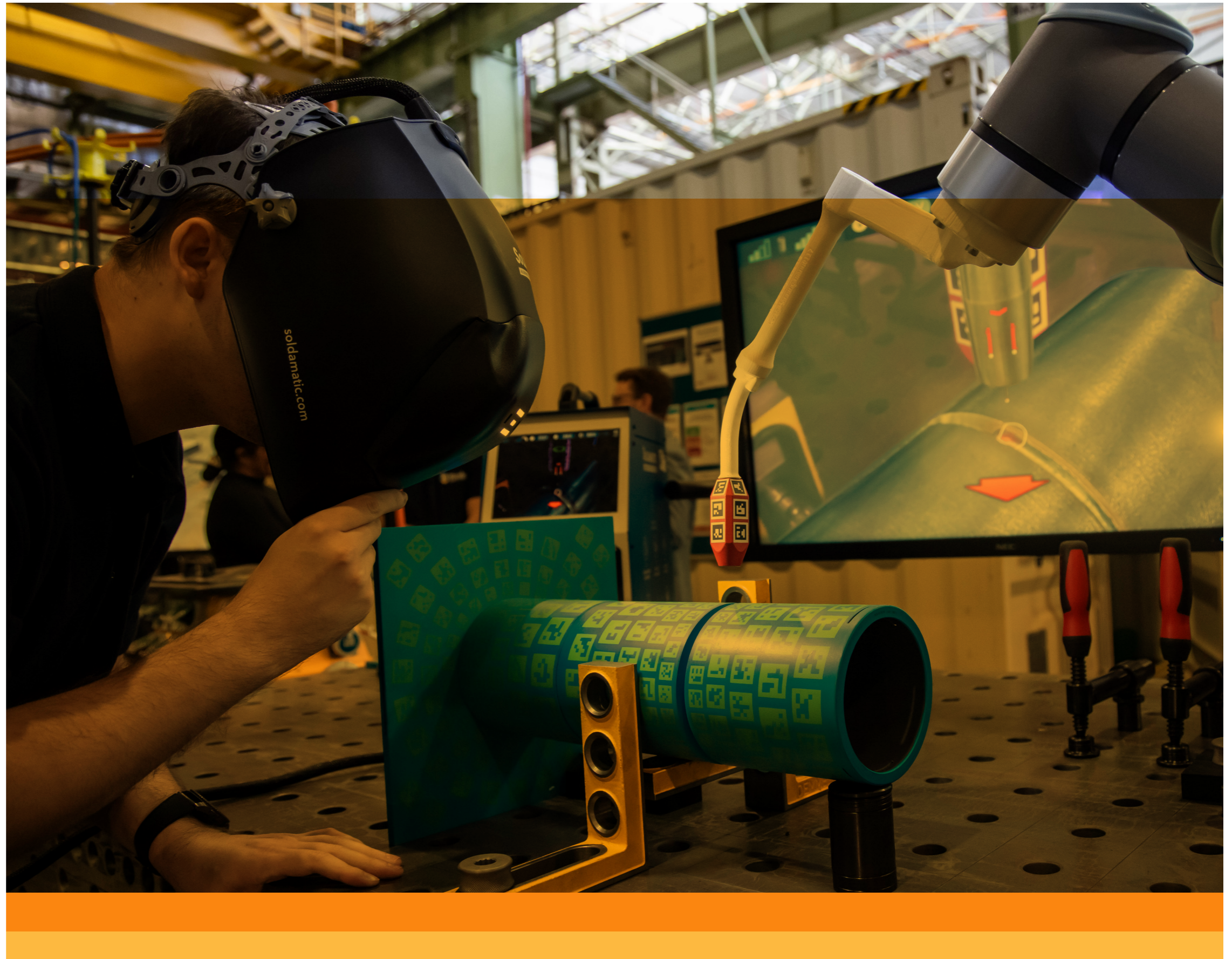
We regularly review and assess the effectiveness of our policies and procedures as part of our global and local assurance, audit and risk frameworks.

Additionally, as we refresh our supply chain business management system we will conduct process conformance audits which will consider both compliance to and effectiveness of the relevant processes.

We are currently reviewing our supply chain measurement framework which will include sustainability metrics, including human rights and labour practices and visibility of our supply chain down to raw materials.

During 2022 we will hold our annual modern slavery review which will consider:

- any grievances raised during the past calendar year;
- appropriateness and relevance of training for our employees;
- the categories and countries considered high risk for modern slavery;
- the effectiveness of due diligence conducted on our suppliers; and
- any improvement actions identified for our high risk suppliers.





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