The following pages contain the detailed scoring for your company based on public information.

The following table represents a summary of your scores:

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of questions</th>
<th>% score based on public information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Governance and Organisation</td>
<td>10</td>
<td>70%</td>
</tr>
<tr>
<td>Risk Management</td>
<td>7</td>
<td>64.3%</td>
</tr>
<tr>
<td>Company Policy and Codes</td>
<td>12</td>
<td>91.7%</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td>90%</td>
</tr>
<tr>
<td>Personnel and Helplines</td>
<td>7</td>
<td>85.7%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>80.5%</strong></td>
</tr>
</tbody>
</table>
A1:
Does the company publish a statement from the Chief Executive Officer or the Chair of the Board supporting the ethics and anti-corruption agenda of the company?

Score:

1

Comments:
Based on public information there is evidence that the company has published two strong statements from the CEO and former Chairman, supporting the company’s entire ethics and anti-corruption agenda. These statements can be found respectively on the company website and in the 2012 Annual Report. The CEO statement in the Code of Conduct is inapplicable as it was not published within the last two years, and statements from the Chairman of BAE Systems, Inc., the company’s North American subsidiary, are inapplicable. The company therefore scores 1. To score higher the company would need to provide evidence of one more statement from the CEO or Chairman in last two years, which support the ethics agenda of the company, or a single statement from the last two years that specifically supports the company’s stance against corruption.

References:
Public:
Annual Report 2013, p.4:
‘Chairman’s Letter, Sir Roger Carr
In addition to improved performance, there is no doubt that under Sir Richard’s Chairmanship, the Board established a culture of good governance and high business ethics. These have been adopted across the business and are respected throughout the industry.’

(p.5): ‘Together with colleagues, we will pressure test our strategy, hone our competitive edge, develop our management team, strengthen all our relationships and reinforce the principles of ethical business through the organisation.’

(p.23): ‘Responsible Conduct
‘The way the Group undergoes its business is equally as important as the delivery of the output and great emphasis continues to be placed on business conduct throughout the
Code of Conduct UK, 2011, p.3:
‘Being a responsible company – what it means to me

BAE Systems is a company that we are all proud to work for. We are committed to being recognised as a leader in responsible business conduct. Our culture of Total Performance focuses not just on what we do but also how we do it, and depends on us all living our values: Trusted, Innovative and Bold.

This Code sets out the principles of business conduct and standards I expect us all to follow. We cannot describe every situation you will face as an employee and what action to take, but this Code helps you decide how to act if you face difficult decisions or conflicts. However, we are all responsible and accountable for our actions, so I urge you to read this document thoroughly, think about it carefully and—above all—use it as a guide in the way you work.

If you do come across anything which you are not sure about because it seems wrong or you need advice, then please speak up. I am personally committed to creating an environment where people feel comfortable that they can raise issues without fear of retribution. Everyone of us is required to uphold this commitment.

Our business conduct really matters; to me, and for all of us. It is essential to sustaining our personal and collective reputations. This Code will help us to achieve that aim.

Ian King, Chief Executive’.

Company website: Meeting High Ethical Standards

“Our ethics programme has been successfully integrated into our strategy and governance, and forms a fundamental part of our decision-making, underpinned by 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 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.’ Ian King, Chief Executive.’


Annual Report 2012, p.5:
‘BAE Systems places great importance on the way it conducts its business. Alongside strategic and operational progress, the Group has also made huge strides over recent years in establishing high standards of governance.

The path to establishing high standards of governance has followed a complex and at times arduous journey. Rather than addressing the cosmetics of issues as they have arisen, we
have sought to drive fundamental culture change throughout the organisation. The process can never be considered to be complete and best practice in governance will always remain an objective, but I believe BAE-Systems is justified in now being regarded as a leader in this area.

Consistent with the drive for continuous improvement, the Group’s core governance procedures and policies were again reviewed and updated during the year.

The Group continues to pursue an integrated approach to performance in all aspects of its business life. This Total Performance approach includes the setting of financial and non-financial objectives for management. Further details of this Total Performance approach, and the way it embraces all employees, can be found on page 17 of this report.

‘Dick Olver, Chairman’.

Dick Oliver is the former Chairman. Sir Roger Carr, the current Chairman, was appointed on 1/2/14.

YouTube website: Introduction Video

Video of the message from the Chairman of the Board BAE Systems, Inc, introducing the training

http://www.youtube.com/watch?v=fqPdQaTSv0w&feature=youtu.be

BAE Systems, Inc. Facilitators Guide (2014), p.3:

‘Message from the Chairman

Here at BAE Systems, Inspired Work isn’t just about delivering inspired solutions to our customers. It’s about doing things the right way and building a culture where ethical behavior and decision making are at the heart of all we do.

We are in the midst of a very challenging business environment. Competition for both existing and new opportunities is becoming increasingly fierce. Such an environment can create what seems like irresistible pressure...to cut corners and make questionable choices. Even when doing the right thing is hard, when it comes to ethical behavior, we must be bold, constantly aware, and ever vigilant. When you push back on pressures to compromise ethical standards, BAE Systems will always support you in doing what is right.

Tens of thousands of lives and livelihoods depend on what we do and how we do it. We have an obligation to our customers, to our business partners, to our stockholders, and to each other to foster an environment where we always feel empowered to do what’s right, and—just as important—to ensure that everyone feels comfortable raising a hand and asking a question when they need guidance.

Regular and engaging ethics training workshops like this are a vital part of maintaining an ethical culture and helping every one of us to understand that ethical behavior is our responsibility. Whatever our function or job title, it is important that each of us participates fully. Everyone—including all members of the board of directors and each and every employee throughout the corporation—participates in ethics training.

In the video version of this welcome, the background behind me is animated. Well...in the video scenarios, you’ll encounter animated characters facing a number of ethics-related issues taken from real ethics cases that took place within BAE Systems. Some situations may
seem very straightforward, while others are more ambiguous, in the same way you face different situations in your everyday job. Watch and listen. Identify the ethical issues at play and ask yourself how you would go about resolving them. As part of the discussion, we will explore strategies for acting on our values successfully.

Thank you again for investing the time and giving this training your full attention.

The Honorable Michael Chertoff
Chairman of the Board
BAE Systems, Inc.’

A2:
Does the company’s Chief Executive Officer or the Chair of the Board demonstrate a strong personal, external facing commitment to the ethics and anti-corruption agenda of the company?

Score:

2

Comments:
Based on public information, there is evidence that the company’s CEO and Chairman demonstrate a strong, personal, external facing commitment to the ethics and anti-corruption agenda of the company. The CEO gave a speech on the company’s ethics and anti-corruption agenda at the European Business Ethics Forum, 2014. The former Chairman discussed the company’s ethics and anti-corruption initiatives in his 2013 AGM speech. There is also evidence that David Harris, BAE Systems’ Head of Business Conduct, gave an interview in 2012 on business ethics. TI notes that Jerry DeMuro, President & Chief Executive Officer of BAE Systems, Inc, BAE Systems North American subsidiary, sits on the Steering Committee of the Defense Industry Initiative on Business Ethics and Conduct.

References:
Public:
Company website: Collaborating with industry
‘Our executives and teams globally engage in public speaking events to share best practice and promote ethical business and governance. In February, our Chief Executive Ian King spoke at the European Business Ethics Forum Plenary Session on ‘Reflections from the CEO in Rebuilding Trust’.’

Expolink website: Global Business Ethics-Interview with David Harris of BAE Systems (29 March 2012)
‘What are the greatest challenges ethical businesses face?
For me it’s creating and sustaining the right culture and knowing that you have it. For all the effort and creativity we put into codes of conduct, policies, compliance training et al, everything hinges on our employees acting as we want and expect them to act, including how they deal with dilemmas. Another challenge is satisfying the need for and variance of
relevant and engaging information that stakeholder groups seek. Providing the right types of evidence to support your statements and for that evidence to enable others to trust the same statements is wholly necessary, if a bit tricky!’

http://expolink.co.uk/whistleblowing/blog/global-business-ethics-interview-with-david-harris-of-bae-systems/

European Business Ethics Forum Conference Report, 2014, pp.2-3:
‘Reflections from the CEO in Rebuilding
Trust Speaker: Ian King, Chief Executive, BAE Systems
Ian King gave a personal reflection on the cultural journey of BAE Systems and the role of the CEO in this.

Ian first gave a brief history of how BAE was formed in 1999 from two very culturally different organisations: Marconi and British Aerospace. The reputation of the newly formed company was not good and recent UK press coverage had undermined public confidence. The company had to get a new Chief Executive to focus on operational excellence for survival and elected its first non-exec chairman. This meant a second high profile cultural and board change. The exec had to learn how to work with this non-exec structure.

Two years later, the Serious Fraud Office started an investigation and BAE’s relations with stakeholders were under threat again. While the defence sector reputation remained poor how could a company like BAE regain trust? The company appointed Lord Woolf to head a committee to provide independent oversight and commitment to implement all of his recommendations.

The primary result was an introduction of a principle-based rather than a rules-based approach. Ian presented several things that show how the company went in that direction:
  • Behaviours became a focus. A code of conduct was developed which encouraged employees to speak up as this is important for mutual trust. In international business there are cultural challenges, especially around conflicts of interest, which change over time, and a company has to be on top of and responsive to what new generations experience.
  • The concept of “Total Performance” was introduced as core to business strategy. The ‘how’ was not to be separated from the ‘what’. The principled-based culture was talked about extensively, along with its rationale.
  • There was a realisation that the values had actually been expressed as attributes and that they needed to be clearer in terms of principles.
  • How managers communicate to staff is important for influencing culture. At BAE, it is not dictated how this must be done but managers are allowed to do what works for them and their audience – to get to hearts and minds.
  • Ian went on to say that pride is very important: “We want our people to understand the what, how and why of what we do. This will be the basis of our forthcoming rebranding as part of delivering our strategy.”

For Ian, a big lessons learnt is that culture change is never ending and that it has to be relevant. The CEO’s role is to create an environment that others can succeed in, as well as dealing with any bad news. Setting substance, value and commitment are key to the
CEO role.
Discussion: – a selection of the questions and comments

Q: Was there a blinkered view at the time of the trouble – an assumption that it was isolated, or was it considered an organisational issue?
A: At the start of the SFO investigation it was probably thought of as isolated, but the Woolf review made it clear that an all embracing cultural shift was key to preventing it happening again. We needed to get resources in for that and to address it in a decentralised way and across the players in the sector.

Q: How do you square the requirements of the FCPA?
A: We have requirements that are even stricter, in line with the UK Bribery Act. We have our own standards that have to be global.

Q: Have your shareholders been a help or a hindrance on this journey?
A: They want a sustainable business. I go to all the meetings. Our standing in society matters to them. The government is our customer. So they have been generally supportive.

Q: Please say more about exec level culture.
A: The incentives for execs are all transparent. A significant part of the way they are rewarded includes performance on health and safety, environment and responsible business.

Our executive committee meetings include a facilitated workshop which encourages a group dynamic for decision making that is creative and shared.

Q: How does BAE push the cultural shift down its supply chain?
A: Joint venture partners must respect our policies and sign up to our code. We check that their codes match up to ours. Regarding suppliers, we work hard to ensure standards. One example is when we found one of our contractors placing their suppliers under undue pressure and we acted on that. Also a local manager was able to make the decision himself to withdraw from tendering process after we had inadvertently become privy to information about a competitor’s bid.’


Company website:
Dick Olver’s AGM 2013 speech:
‘In parallel with these external initiatives, we’ve brought the same energy and commitment to our internal efforts to keep improving our open and ethical culture including fostering and improving diversity in our workforce.’

‘Of course, fostering diversity in our workforce is just one aspect of our on-going journey as a responsible business. We’ve come a long way since 2007, when we commissioned the independent Woolf Report.

A clear indication of our progress came when Transparency International the independent civil society organisation leading the global fight against corruption ranked us fourth out of 129 companies in its latest defence industry anti-corruption index.

But we know there’s always more we can do. In fact, cultural transformation is a journey on
which you never reach a final destination. So we’re continuing our efforts to embed responsible business behaviour ever more deeply into our workforce through measures including comprehensive induction training on our Code of Conduct for all new joiners and regular interactive retraining and engagement for every employee in every market, all the way from the shop-floor to the Board.

One of the most important benchmarks of our progress is the positive and open relationship we’ve developed with the US and UK regulators with whom we agreed a settlement in 2010. Under the settlement, the US Department of Justice and Department of State appointed independent Monitors to scrutinise our business practices, and recommend improvements.

When this arrangement was agreed, we had little idea how much it would help us sustain the momentum of our ethical transformation. But it really has. In particular, the DoJ’s monitor, Lord Gold, has done an outstanding job of reviewing and evaluating the effectiveness of our internal controls, policies and procedures.

Lord Gold’s term as the DoJ’s Monitor will end later this year, and our Board is now looking at how best we can carry on this good work.

Today, we believe we have some of the most stringent anti-corruption and compliance standards, not just of any defence company, but across business as a whole.

We have a code of responsible business conduct that other companies actually come to us to learn about.

And we have a reputation for responsible business behaviour that has allowed us to become one of America’s top ten defence and security companies,

And to remain the preeminent UK manufacturing exporter.

As we expand our business and pursue growth opportunities in more countries across the world, we think that being an ethical, open and responsible company is all the more important and will become an increasingly vital source of competitive advantage for our business.’


DII website: DII Steering Committee
‘Jerry DeMuro President & Chief Executive Officer BAE Systems, Inc.’.
http://www.dii.org/dii-steering-committee

Company website: Our response to Woolf Committee Recommendation 21 - LEADERSHIP IN COLLECTIVE ACTION BY THE DEFENCE INDUSTRY

‘BAE Systems is a member of the Aerospace and Defence Industries Association of Europe and our MD CR is an active member of its Business Ethics Committee which aims to promote
common industry standards on the prevention of corruption and promote the Global Principles of Business Ethics for the Aerospace and Defence Industry (see above). ‘BAE Systems is a member of the UK trade organisation for Aerospace, Defence, Security and Space industries (ADS) and chaired its Business Ethics conference in February 2011.’

‘We also participate in initiatives that address ethical conduct within and beyond the defence sector. For example, BAE Systems, together with other leading multinationals, supports the Centre for Law and Ethics at University College London. The Centre, established in 2009, aims to stimulate debate on business ethics and help companies promote an ethical corporate culture. Our Chief Counsel, Compliance and Regulation, sits on the Centre’s Advisory Committee and our legal team is helping to develop a course on Ethics and Law and providing speakers.’

http://www.baesystems.com/article/BAES_020651/recommendation-21
A3:

Does the company’s Chief Executive Officer demonstrate a strong personal, internal-facing commitment to the ethics and anti-corruption agenda of the company, actively promoting the ethics and anti-corruption agenda at all levels of the company structure?

Score:

0

Comments:

Based on public information, there is no readily available evidence that the company’s CEO demonstrates a strong, personal, internal-facing commitment, to the ethics and anti-corruption agenda of the company. The CEO issued a statement in the 2014 Ethics Training Facilitators Booklet, explaining why ethical training is important to the company. However, in this question TI is seeking evidence of personal engagement such as speaking at training events or chairing a review of the company’s anti-corruption programme.

References:

Public:

TI notes:

Company website: Our response to Woolf Committee Recommendation 7 - THE ROLE OF SENIOR EXECUTIVES

‘The Chief Executive and the Executive Committee are highly visible champions of our corporate responsibility (CR) strategy, leading the CR agenda and briefing employees on business conduct and our Code of Conduct.’

http://www.baesystems.com/article/BAES_020633/recommendation-7

Ethics Training Facilitators booklet (2014), p.1:

‘BAE Systems is committed to being a recognised leader in business conduct. Our ethics programme has been successfully integrated into our strategy and governance, and forms a fundamental part of our decision-making, underpinned by our values of Trusted, Innovative and Bold. We are operating in a challenging business environment and it’s essential we remain vigilant to the issues which could compromise our business. The Code of Conduct and related training programmes 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 information on where to seek guidance and help. Regular and engaging training like this is a vital part of being a responsible business and ensuring everyone understands their responsibility in maintaining our high standards of business conduct.

The scenarios that form this training are based on actual cases that have taken place within BAE Systems. Some situations may seem straightforward while others are more ambiguous, in the same way we face different challenges in everyday life. Identifying the ethical issues involved and asking ourselves how we would go about resolving them allows us to explore strategies for acting on our values successfully.

Thank you for your continued help and support
Ian King
Chief Executive’.


2012 Annual Report, p.39:
‘Clear governance structures and visible leadership play a vital role in embedding CR. The Chief Executive has overall responsibility for the Group’s ongoing commitment to CR. He is supported by the Board and Corporate Responsibility Committee in ensuring that appropriate policies, systems, reporting structures and metrics are in place to achieve the Group’s ethical, social and environmental performance objectives.’

The Recovery of Trust: Case Studies of Organisational Failures and Trust Repair (February 2012), p.23:
‘The company has a revised ‘Operational Framework’ which provides clarity on the roles and responsibilities within the organisation and, sitting alongside the code of conduct, guides employees’ work and behaviour across the Group. Accessible to all employees, it covers the organisational structure; governance (including Board Charter and various committees); internal controls, risk framework and business conduct; mandated reviews and reports (core business processes) and company-wide mandated policies. The code of conduct is part of the CEO’s portfolio of responsibilities.’
A4:
Does the company publish a statement of values or principles representing high standards of business conduct, including honesty, trust, transparency, openness, integrity and accountability?

Score:

2

Comments:
Based on public information, there is evidence that the company publishes a statement of values, representing high standards of ethical business conduct, including integrity, honesty and trust. The value of trust is explained throughout the company’s website and documents, with honesty and responsibility a key component to achieving trust. Similarly, the value of integrity is discussed in regard to policies in the Code of Conduct.

References:
Public:
Company website: Our Culture
‘Our Values
Trusted: We deliver on our commitments
• We are honest and take responsibility
• We can be relied upon
• Everyone matters
Innovative: We create leading-edge solutions
• We value imagination and experience
• We empower teams
• Working together we turn our ideas and technologies into solutions
Bold: we constructively challenge and take the initiative
• We operate with tenacity and resolve
• We accept challenges and manage risk
• We set stretching goals’.
http://www.baesystems.com/page/BAES_026055

Company website: How we work
‘We are developing a culture of ‘Total Performance’ in every aspect of the way we work. With this approach we hope we can earn a reputation as a company that is trusted, a company that is innovative in its approach to solving customer problems, and a company that is bold enough to evolve the way it does business in order to serve customers better and continue to prosper.

Our Total Performance culture is underpinned by those very values: trusted, innovative and bold. They are essential elements of what makes us BAE Systems. Our employees are encouraged to embody and reflect these values in day-to-day work, wherever they are in the world.

For all at BAE Systems, it’s not just what we do, but how we do it.’


Company Strategy, 2013, p.3:
‘Total Performance is demonstrated in every aspect of the way we do business – Customer Focus, Financial Performance, Programme Execution and Responsible Behaviour.’

(p.6): ‘Executive Committee Key Objectives: 3. Responsible Behaviour- Progress towards recognised leading positions’

Annual Report 2013, p.62:
‘A culture of integrity BAE Systems continues to embed its ethics programme globally, driving the right behaviours by supporting employees in making ethical decisions and embedding responsible business practices.

The Group’s Code of Conduct sets out the principles and standards of business conduct expected of all employees. It provides them with practical guidance on how to deal with situations that may arise in their day-to-day activities.

Clear governance structures and visible leadership play a vital role in embedding corporate responsibility.’

(p.112): ‘BAE Systems continues to embed its ethics programme globally, driving the right behaviours by supporting employees in making ethical decisions and embedding responsible business practices. ‘

(p.13): ‘Responsible Behaviour
What is it?

Responsible Behaviour is fundamental to the business. The Group’s Code of Conduct provides guidance on the principles and standards of business conduct expected of all employees. Together with the Group’s Responsible Trading Principles, the Code of Conduct underpins the Group’s business activities.'
What are BAE Systems’ Key Strengths?

- A culture of integrity.
- Robust Code of Conduct and Responsible Trading Principles.
- A global ethics helpline to provide employees with guidance and a means to raise concerns in confidence.
- Robust assurance processes, compliance systems, support and training.

How Does This Help to Create Value?

Responsible business practices underpin the Group’s ability to operate and its business reputation, and support employees in making the right decisions to drive business performance.

Company website: What we stand for

‘Our vision is to be the premier global defence, aerospace and security company. Responsible behaviour is one of four pillars of our Company strategy, together with customer focus, programme execution and financial performance.
We are committed to behaving responsibly and that means doing business in a way that reflects our company values, which are fundamental to our culture:

OUR VALUES

Total Performance is underpinned by our three Values which are fundamental to our culture:

- Trusted: We deliver on our commitments. We are honest and take responsibility so that we can be relied upon. In our organisation, everyone’s contribution matters.
- Innovative: We create leading-edge solutions by valuing the imagination and experience within our organisation. We empower teams and work together to turn our ideas and technologies into solutions.
- Bold: We constructively challenge and take the initiative, operating with tenacity and resolve. We accept challenges and manage risk and set ourselves stretching goals.

- Our Values are underpinned by our global Code of Conduct and Responsible Trading Principles, which all our employees must apply to all their business activities (see Code of Conduct and Key Policies).’

http://www.baesystems.com/article/BAES_020081

Company website: Responsible Trading Principles

‘2. We work to BAE Systems’ Values in all that we do

Together with our Code of Conduct, our Values guide employees in their business decisions:

- Trusted: We deliver on our commitments. We must be honest and take responsibility so that we can be relied upon. In our organisation, everyone’s contribution matters.
- Innovative: We create leading-edge solutions by valuing the imagination and experience within our organisation. We empower teams and work together to turn our ideas and technologies into solutions.
- Bold: We constructively challenge and take the initiative, operating with tenacity and resolve. We accept challenges and manage risk and set ourselves stretching goals.

BAE SYSTEMS PLC 10/11/14
WWW.BAESYSTEMS.COM
resolve. We accept challenges and manage risk and set ourselves stretching goals.’

‘4. We are as open as practicable about the nature of our business

Being transparent about what we do and how we do it helps us build trust among our stakeholders. We aim to communicate openly and transparently with stakeholders on our business activities. In some cases, we are limited in how much we can say by, for example, confidentiality agreements with customers. If we are unable to provide information where it might normally be expected then we aim to explain why.’

http://www.baesystems.com/article/BAES_020432

Code of Conduct UK, 2011, p.3:

Message from Chief Executive Ian King

‘BAE Systems is a company that we are all proud to work for. We are committed to being recognised as a leader in responsible business conduct. Our culture of Total Performance focuses not just on what we do but also how we do it, and depends on us all living our values: Trusted, Innovative and Bold.

This Code sets out the principles of business conduct and standards I expect us all to follow.

We cannot describe every situation you will face as an employee and what action to take, but this Code helps you decide how to act if you face difficult decisions or conflicts. However, we are all responsible and accountable for our actions, so I urge you to read this document thoroughly, think about it carefully and—above all—use it as a guide in the way you work.

If you do come across anything which you are not sure about because it seems wrong or you need advice, then please speak up. I am personally committed to creating an environment where people feel comfortable that they can raise issues without fear of retribution. Every one of us is required to uphold this commitment.

Our business conduct really matters; to me, and for all of us. It is essential to sustaining our personal and collective reputations. This Code will help us to achieve that aim.’

(p.8): ‘There are four elements to achieving a culture of Total Performance. They are Customer Focus, Programme Execution, Financial Performance and Responsible Behaviour.

Responsible Behaviour is fundamental to how we do business. It is not just what we do, it is how we do it that is vitally important to both the reputation and success of our company.

The company values are Trusted, Innovative and Bold and these values guide all our actions and decisions. Our behaviour is what people see and experience when they interact with us. That is why it is so important that we apply the values to everything that we do.

Our culture depends on all of us living our values as we conduct our business. To be Trusted we must deliver on our commitments. We must be honest and take responsibility for our actions and respect that everyone’s contribution matters. If we are to be Innovative, we must embrace openness and candour on all issues. We must value the imagination and experience within our organisation and work together to turn our ideas and technologies into leading-edge solutions. In being Bold we should constructively challenge our own behaviours and practices with tenacity and resolve. Acting with Integrity, we will accept challenges, manage risk and set ourselves stretching goals.'
As individuals, collectively as teams, and as a company, we will always:
– take personal responsibility for implementing the standards in this Code and comply with all company policies and processes
– comply with applicable laws, regulations and contract requirements as a minimum. In the many instances where we set our own higher standards, we will apply these first
– seek guidance where we are unsure of the appropriate course of action’.

(p.28): ‘Even the suggestion of corruption may damage the reputation of the company and affect its ability to do business. It may also bring the personal integrity of individuals into question. Employees, advisers, consultants, distributors, joint venture partners or anyone else who may be acting on the company’s behalf must not offer, make or receive bribes or corrupt payments.’

(p.40): ‘When a conflict of interest arises it can throw doubt on your integrity. It can also have a damaging effect on the reputation of the company.’

(p.48): ‘Honesty, integrity and openness underpin our business. They clearly apply to our contractual dealings with customers, suppliers and offset partners. All of these dealings must be open and honest. This is especially true in the development of new business and in the negotiation of contracts.’

(p.50): ‘We will only appoint advisers of known integrity and require that their conduct meets our standards at all times.’

Company website: Code of Conduct and Key Policies
‘Together with our Code of Conduct, we also have four Responsible Trading Principles that underpin all of our business activity. They are:
We understand and support our customers’ national security and other requirements
We assess carefully our products and services with the objective that neither BAE Systems nor our customers are exposed to significant reputational risk
We work to BAE Systems’ Values in all that we do
We are as open as practicable about the nature of our business.’
http://www.baesystems.com/page/BAES_020436

Company website: Meeting High Ethical Standards
‘The Code of Conduct and ethics-related policies are integrated into the processes that govern all aspects of our day-to-day business. These values and principles based policies, with supporting guidance and training, help our employees consider the options when facing dilemmas, including where to seek help, and consider the consequences of each option before making responsible and ethical decisions.’
http://www.baesystems.com/our-company-rzz/corporate-responsibility/working-
DEFENCE COMPANIES
ANTI-CORRUPTION INDEX

responsibly/meeting-high-ethical-standards
A5:

Does the company belong to one or more national or international initiatives that promote anti-corruption or business ethics with a significant focus on anti-corruption?

Score:

2

Comments:

Based on public information, there is evidence that the company is a member of the DII and IFBEC.

References:

Public:
Annual Report 2013, p.113:
‘The Group continues to support the improvement of ethical standards across the defence industry.
During 2013, the Group participated in the International Forum on Business Ethical Conduct (IFBEC) for the Aerospace and Defence Industry, both as Chair and as Task Force members. IFBEC is committed to promoting high ethical standards through the adoption of Global Principles of Business Ethics for the Aerospace and Defence Industry (http://ifbec.info/).
BAE Systems regularly engages with other companies to understand progress and the latest status of thinking on ethical standards. The Group is a corporate member of the UK Institute of Business Ethics and the US Defense Industry Initiative.’

Company website: Our response to Woolf Committee Recommendation 21 - LEADERSHIP IN COLLECTIVE ACTION BY THE DEFENCE INDUSTRY
‘BAE Systems is a member of the Aerospace and Defence Industries Association of Europe and our MD CR is an active member of its Business Ethics Committee which aims to promote common industry standards on the prevention of corruption and promote the Global
Principles of Business Ethics for the Aerospace and Defence Industry (see above).

‘BAE Systems is a member of the UK trade organisation for Aerospace, Defence, Security and Space industries (ADS) and chaired its Business Ethics conference in February 2011.’

‘We also participate in initiatives that address ethical conduct within and beyond the defence sector. For example, BAE Systems, together with other leading multinationals, supports the Centre for Law and Ethics at University College London. The Centre, established in 2009, aims to stimulate debate on business ethics and help companies promote an ethical corporate culture. Our Chief Counsel, Compliance and Regulation, sits on the Centre’s Advisory Committee and our legal team is helping to develop a course on Ethics and Law and providing speakers.’

http://www.baesystems.com/article/BAES_020651/recommendation-21

Company website: Collaborating with Industry

‘We work with peer companies to address key reputational issues for the industry through our participation in trade associations such as the Aerospace and Defence Industries Association (ASD) of Europe and the Aerospace Industries Association of America (AIA).’

‘During 2013, we participated in the International Forum on Business Ethical Conduct (IFBEC) for the Aerospace and Defence Industry, both as Chair and as Task Force members.’

‘The Group is a corporate member of the UK Institute of Business Ethics and the US Defense Industry Initiative.’

‘Our executives and teams globally engage in public speaking events to share best practice and promote ethical business and governance. In February, our Chief Executive Ian King spoke at the European Business Ethics Forum Plenary Session on ‘Reflections from the CEO in Rebuilding Trust’.’

A6: Has the company appointed a Board committee or individual Board member with overall corporate responsibility for its ethics and anti-corruption agenda?

Score: 2

Comments: Based on public information, there is evidence that the company’s Corporate Responsibility Committee has overall corporate responsibility for its ethics and compliance programme. Clear terms of reference detail what this responsibility entails, for example assisting in the development of strategy on ethical matters and ensuring the Code of Conduct is regularly reviewed.

References:
Public: Annual Report 2013, p.77:
‘The Corporate Responsibility Committee was in place throughout 2013, and held five meetings. All its members are independent in accordance with the provisions of the Code.
Summary of responsibilities
– Assisting the Board in overseeing the development of strategy, and policy on social, environmental and ethical matters
– Keeping under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational and other non-financial risks
– Monitoring and reviewing the role and effectiveness of the Company’s Internal Audit function in relation to corporate responsibility
– Providing oversight of the Company’s compliance with corporate responsibility-related policies and procedures
– Reviewing audit and assurance reports produced by the corporate responsibility assurer
– Overseeing and supporting key stakeholder engagement on social, environmental and ethical issues
– Making proposals to the Remuneration Committee regarding appropriate corporate responsibility-related performance objectives for executive directors
– Reviewing the Company’s arrangements for employees to obtain further advice on ethical issues in confidence

– Ensuring that the Code of Conduct is regularly reviewed and reflects best practice for such codes

– Ensuring the Company’s Annual Report and Accounts includes an examination of ethical business conduct within the Company

‘A rolling three-year programme of activity has been developed for the Committee that ensures that it is able to fulfil all of its responsibilities, including the provision of comprehensive oversight of ethical business conduct based on the priorities and structures identified by Lord Woolf back in 2008, and re-emphasised more recently by Lord Gold’.

(p.112): ‘Clear governance structures and visible leadership play a vital role in embedding corporate responsibility.

The Chief Executive has overall responsibility for the Group’s ongoing commitment to corporate responsibility. He is supported by the Board and Corporate Responsibility Committee in ensuring that appropriate policies, systems, reporting structures and metrics are in place to achieve the Group’s ethical, social and environmental performance objectives.’

(p.71): ‘It also states that the following matters are reserved specifically for the Board:

1. Approving the Company’s vision, values, principles of ethical conduct, delegated authorities and overall governance structure.’

Company website: Governance of Ethics Programme

‘The Chief Executive has overall responsibility for our ongoing commitment to corporate responsibility and responsible behaviour. He is supported by the Board and Corporate Responsibility (CR) Committee in ensuring that appropriate policies, systems, reporting structures and metrics are in place to achieve our ethical, social and environmental performance objectives.

The CR Committee, which meets quarterly and is chaired by a Non-Executive Director, ensures that our Code of Conduct and policies and processes are benchmarked regularly to ensure that we remain at the leading edge of managing business conduct. A rolling three-year programme of activity has been developed for the Committee that ensures that it is able to fulfil all of its responsibilities, including the provision of comprehensive oversight of responsible business conduct.

The Company’s Internal Audit team also assesses the effectiveness of policies and processes relating to key areas of ethical and reputational risk.

Our CR team reports directly to the Chief Executive and supports the CR Committee. The team also supports the Executive Committee in embedding and driving processes and performance against annual objectives. Performance is measured and risk monitored throughout the year via our six-monthly Operational Assurance Statement and Quarterly Business Review processes.

The CR team has day to day management of the business conduct programme, including the
Code of Conduct and associated training, the Ethics helpline and network of Ethics Officers. In the UK, the Managing Director, CR chairs the Ethics Review Committee and for BAE Systems Inc, monitors the Ethics Oversight Committee, explaining guidance given and issues reported via the Ethics Helpline and Ethics Officer Network.


Company website: Our response to Woolf Committee Recommendation 1 - ASPIRATION OF THE COMPANY
‘The Board Charter has been amended to include the Board’s responsibilities for ensuring high standards of responsible business conduct across the company. The remit of the CR Committee has also been extended to include its responsibility for oversight and reporting against those standards.’

http://www.baesystems.com/article/BAES_020627/recommendation-1

Board Charter, 2011, p.9:
Audit Committee
‘The Committee shall approve a programme of internal audit work each year; in addition the Committee shall be jointly responsible with the Corporate Responsibility Committee for approving such a programme aimed at assessing the effectiveness of policies and processes relating to key areas of ethical and reputational risk.’

(p.14): Corporate Responsibility Committee
‘The Committee shall assist the Board in overseeing the development of strategy and policy on social, environmental and ethical issues.’

(p.15): ‘On an annual basis, the Committee shall undertake to review and recommend for approval by the Board the areas to be given priority in the CR plan for the forthcoming year.’

(p.16): ‘The Committee shall review the Company’s arrangements for employees to obtain further advice on responsible behaviour or raise and report concerns, in confidence, where there may be possible improprieties. This will include the Company’s Ethics Helpline.’
‘The Committee shall monitor the implementation of the Woolf Report and ensure that the Global Code of Conduct is regularly reviewed and reflects best practice for such codes.’

(p.17): ‘The Committee Chairman shall report to the Board on the proceedings of the Committee on a regular basis including the outcomes of the work undertaken by the internal audit function and the CR Assurer.’

Company website: Our response to Woolf Committee Recommendation 5 – Role of the Corporate Responsibility Committee

‘The Corporate Responsibility Committee (CRC), chaired by a non-executive director, is the primary committee responsible for monitoring and reviewing performance of our business conduct programme, and its remit has been expanded to provide oversight and reporting on standards of ethical business conduct and the management of reputational risk.

The CRC is responsible for appropriate policies, systems, reporting structure and metrics are in place and reviews the effectiveness of policies and procedures related to business conduct. The Managing Director Corporate Responsibility attends CRC meetings and has direct access to the CRC Chairman.’

‘The oversight functions of the Audit Committee and CRC are appropriately coordinated. The Head of Internal Audit attends CRC meetings and reports regularly on corporate responsibility-related work undertaken by the Internal Audit function and the key findings from this. The CRC holds a joint meeting with the Audit Committee each year to review work undertaken by the Internal Audit function and agree the programme of audit work for the following year.’


Company website: Our response to Woolf Committee Recommendation 4 – Role of the Board of Directors

‘The Corporate Responsibility Committee (CRC), a standing Committee of the Board, monitors and reviews performance of the business conduct programme and provides oversight and reporting on standards of ethical business conduct and the management of reputational risk. The Chair of the CRC briefs the Board after each Committee meeting.’

http://www.baesystems.com/article/BAES_020630/recommendation-4

Company website: CR Committee

‘Our Board-level Corporate Responsibility Committee (CRC) provides independent oversight, advice and strategic direction on CR issues. The Chair of the CRC briefs the Board after each Committee meeting.’


INDEPENDENT REVIEW OF THE BAE SYSTEMS’ BUSINESS CONDUCT PROGRAM – Ethical Leadership Group (May 2011), p.3:

‘The Board of Directors, through its Corporate Responsibility Committee, is meeting its responsibilities to provide formal oversight of the Program. The CR Committee meets annually with the Audit Committee to review reporting systems, risks and other areas of shared concern. The Chair of the CR Committee briefs the Board after each Committee meeting.’

Company website: Managing Corporate Responsibility
‘Board of Directors – The Board Charter includes responsibility for ensuring high standards of responsible business conduct across the company and the Board regularly reviews assessments of reputational risks alongside financial risks.

Corporate Responsibility Committee (CRC) – Board-level committee of non-executive directors. Ensures that the appropriate policies, systems, reporting structure and metrics are in place to achieve our ethical, social and environmental performance objectives.

Executive Committee – approves and reviews our key performance indicators including safety, diversity and inclusion and environmental objectives.

Managing Director Corporate Responsibility (MD CR) - reports directly to our Chief Executive, leads our global CR team and supports line leaders in implementing our CR policies and objectives.

Line Leaders - responsible for the operation and performance of their businesses. This includes compliance with our Operational Framework, implementing our CR commitments, embedding Total Performance and making sure our Responsible Trading Principles underpin all business activities.’


Company website: CR Committee
‘SUMMARY OF RESPONSIBILITIES:
- Assisting the Board in overseeing the development of strategy, and policy on social, environmental and ethical matters.
- Keeping under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational and other non-financial risks.
- Monitoring and reviewing the role and effectiveness of the Company’s Internal Audit function in relation to corporate responsibility.
| - Providing oversight of the Company’s compliance with corporate responsibility-related policies and procedures. |
| - Reviewing audit and assurance reports produced by the corporate responsibility assurer. |
| - Overseeing and supporting key stakeholder engagement on social, environmental and ethical issues. |
| - Making proposals to the Remuneration Committee regarding appropriate corporate responsibility-related performance objectives for executive directors. |
| - Reviewing the Company’s arrangements for employees to obtain further advice on ethical issues in confidence. |
| - Ensuring that the Code of Conduct is regularly reviewed and reflects best practice for such codes. |
| - Ensuring the Company’s Annual Report and Accounts includes an examination of ethical business conduct within the Company.’ |

A7:
Has the company appointed a person at a senior level within the company to have responsibility for implementing the company’s ethics and anti-corruption agenda, and who has a direct reporting line to the Board?

Score:

1

Comments:
Based on public information, there is evidence that the company has appointed the Managing Director Corporate Responsibility (MD CR), with responsibility for implementing the company’s ethics agenda. The MD CR leads the company’s global corporate responsibility team and reports directly to the company CEO. The company therefore scores 1. To score higher the company would need to provide evidence that the MD CR is identifiable by name.

References:
Public:
Company website: Governance of Ethics Programme
‘The Chief Executive has overall responsibility for our ongoing commitment to corporate responsibility and responsible behaviour. He is supported by the Board and Corporate Responsibility (CR) Committee in ensuring that appropriate policies, systems, reporting structures and metrics are in place to achieve our ethical, social and environmental performance objectives.
The CR Committee, which meets quarterly and is chaired by a Non-Executive Director, ensures that our Code of Conduct and policies and processes are benchmarked regularly to ensure that we remain at the leading edge of managing business conduct. A rolling three-year programme of activity has been developed for the Committee that ensures that it is able to fulfil all of its responsibilities, including the provision of comprehensive oversight of responsible business conduct.
The Company’s Internal Audit team also assesses the effectiveness of policies and processes relating to key areas of ethical and reputational risk.
Our CR team reports directly to the Chief Executive and supports the CR Committee. The team also supports the Executive Committee in embedding and driving processes and performance against annual objectives. Performance is measured and risk monitored throughout the year via our six-monthly Operational Assurance Statement and Quarterly
The CR team has day to day management of the business conduct programme, including the Code of Conduct and associated training, the Ethics helpline and network of Ethics Officers. In the UK, the Managing Director, CR chairs the Ethics Review Committee and for BAE Systems Inc, monitors the Ethics Oversight Committee, explaining guidance given and issues reported via the Ethics Helpline and Ethics Officer Network.’


The Recovery of Trust: Case Studies of Organisational Failures and Trust Repair (February 2012), p.22:
‘David Harris, BAE Systems’ Head of Business Conduct’.


Company website: Our response to Woolf Committee Recommendation 4 - ROLE OF THE BOARD OF DIRECTORS
‘The Chief Executive leads the CR agenda providing clear and visible leadership in responsible business conduct.

The Managing Director Corporate Responsibility reports directly to the Chief Executive and the Executive Committee reviews CR key performance indicators, including business conduct.

The Corporate Responsibility Committee (CRC), a standing Committee of the Board, monitors and reviews performance of the business conduct programme and provides oversight and reporting on standards of ethical business conduct and the management of reputational risk. The Chair of the CRC briefs the Board after each Committee meeting.’

http://www.baesystems.com/article/BAES_020630/recommendation-4

Company website: Managing Corporate Responsibility
‘Board of Directors – The Board Charter includes responsibility for ensuring high standards of responsible business conduct across the company and the Board regularly reviews assessments of reputational risks alongside financial risks.

Corporate Responsibility Committee (CRC) – Board-level committee of non-executive directors. Ensures that the appropriate policies, systems, reporting structure and metrics are in place to achieve our ethical, social and environmental performance objectives.

Executive Committee – approves and reviews our key performance indicators including safety, diversity and inclusion and environmental objectives.

Managing Director Corporate Responsibility (MD CR) - reports directly to our Chief Executive, leads our global CR team and supports line leaders in implementing our CR policies and objectives.

Line Leaders - responsible for the operation and performance of their businesses. This includes compliance with our Operational Framework, implementing our CR commitments, embedding Total Performance and making sure our Responsible Trading Principles underpin all business activities.’


Company website: Our response to Woolf Committee Recommendation 8 – The Role of Senior Executives

‘The Managing Director Corporate Responsibility supports line leaders in promoting and implementing the CR agenda, including ensuring high standards of ethical business conduct across the Company. The role reports directly to the Chief Executive, attends CRC meetings and has direct access to the CRC Chairman.’

http://www.baesystems.com/article/BAES_020636/recommendation-8

Expolink website: Global Business Ethics-Interview with David Harris of BAE Systems (29
March 2012)

‘What are the greatest challenges ethical businesses face?
For me it’s creating and sustaining the right culture and knowing that you have it. For all the effort and creativity we put into codes of conduct, policies, compliance training et al, everything hinges on our employees acting as we want and expect them to act, including how they deal with dilemmas. Another challenge is satisfying the need for and variance of relevant and engaging information that stakeholder groups seek. Providing the right types of evidence to support your statements and for that evidence to enable others to trust the same statements is wholly necessary, if a bit tricky!’

http://expolink.co.uk/whistleblowing/blog/global-business-ethics-interview-with-david-harris-of-bae-systems/
A8: Is there regular Board level monitoring and review of the performance of the company’s ethics and anti-corruption agenda?

Score:

2

Comments:

Based on public information, there is evidence of regular Board level monitoring and review of the performance of the company’s ethics agenda. In 2013, the Board and the Corporate Responsibility Committee reviewed the status of ethical business matters across the Company. Furthermore, during the first quarter of 2014, the company commissioned the Ethical Leadership Group to review the company’s business conduct programme.

References:

Public:
Annual Report 2013, p.63:
‘2013 priorities
Ethics and governance
Continue to improve and evolve the Group’s business conduct programme.
2013 progress
- Network of Ethics Officers established across all operations.
- Training provided for all senior employees on export control procedures, and anti-bribery and corruption.
- Employee survey confirmed that the senior leadership of the Group is committed to ethical business practices and conduct.
2014 priorities
- Continue to improve and evolve the Group’s business conduct programme.
- Undertake external assessment of ethical culture and environment.’

(p.64): ‘In 2013, five years after the publication of Lord Woolf’s Report on ethical business conduct in BAE Systems plc, the Board and the Corporate Responsibility Committee both reviewed the status of ethical business matters across the Company. It was recognised that a great deal had been achieved in that period through positive leadership from the Board downwards. However, it was recognised that the Board needed to remain vigilant in its...’
oversight of ethical business conduct matters so as to ensure that standards are maintained over the long term and that the Company continues to be at the forefront in this area. The Corporate Responsibility Committee agreed additional activities to help secure a lasting legacy of leadership in the area of responsible business behaviour.’

(p.69): ‘Risk management and internal control
The Board has conducted a review of the effectiveness of the Group’s system of risk management and internal control processes, including financial, operational and compliance controls and risk management systems, in accordance with the Code and Turnbull guidance (as revised).

BAE Systems has developed a system of internal control that was in place throughout 2013 and to the date of this report, that encompasses, amongst other things, the policies, processes, tasks and behaviours that, taken together, seek to:
– facilitate the effective and efficient operation of the Company;
– enable it to respond appropriately to significant operational, financial, compliance and other risks that it faces in carrying out its business;
– assist in ensuring that internal and external reporting is accurate and timely, and based on the maintenance of proper records supported by robust information-gathering processes; and
– assist in ensuring that the Company complies with applicable laws and regulations at all times, and also internal policies in respect of the standards of behaviour and conduct mandated by the Board.’

(p.70): ‘The Board has delegated to the Audit Committee responsibility for reviewing in detail the effectiveness of the Company’s system of internal controls. Having undertaken such reviews, the Audit Committee reports to the Board on its findings so that the Board as a whole can take a view on this matter. In order to assist the Audit Committee and the Board in this review, the Company has developed the OAS process.

The OAS process is formed of two parts: a self-assessment of compliance with mandated policies and processes; and a report showing key risks for each business and function. Managed by the Group’s Internal Audit function, an OAS return must be completed every six months by each operational and functional business head, recording their formal review against such matters as compliance with law and regulation, ethical business conduct, financial controls, risk management, compliance with business planning processes, health and safety, conflicts of interest, delegated authorities, appointment of advisers and product safety. Where simple yes/no answers are not appropriate, an assessment of compliance is required to be made against structured qualitative guidance.’

‘The Audit and the Corporate Responsibility committees review the output from the OAS process with the head of Internal Audit. It is also shared in detail with the Company’s auditors.’

(p.77): Corporate Responsibility Committee Report
‘We will benchmark our Code of Conduct and policies and processes regularly to ensure that
we remain at the leading edge of managing business conduct.’

(p.112): ‘In 2013, Lord Gold, the monitor appointed by the US Department of Justice, concluded his three-year term. His final report confirmed the progress made and the robustness of the processes in place to ensure high standards of ethical business conduct are maintained.’

(p.113): ‘The Group’s Corporate Responsibility team reports directly to the Chief Executive, and supports the Executive Committee in embedding and driving processes and performance. Performance is measured and risk monitored throughout the year via the Group’s six-monthly Operational Assurance Statement (see page 69) and Quarterly Business Review (see page 69) processes. The Group’s Internal Audit team also assesses the effectiveness of policies and processes relating to key areas of ethical and reputational risk. The Managing Director, Corporate Responsibility is a direct report to the Chief Executive and supports the Group’s Corporate Responsibility Committee.’

Company website: Code of Conduct and Key Policies
‘We regularly benchmark our Code of Conduct against other global companies to ensure it continues to meet best practice.’
http://www.baesystems.com/article/BAES_020436/code-of-conduct-and-key-policies

Company website: Meeting High Ethical Standards
‘As key elements of our governance framework, our Code and policies are regularly reviewed and updated to reflect internal and external changes and advancements at least every three years.’

The Recovery of Trust: Case Studies of Organisational Failures and Trust Repair (February 2012), p.23:
‘The company has a revised ‘Operational Framework’ which provides clarity on the roles and responsibilities within the organisation and, sitting alongside the code of conduct, guides employees’ work and behaviour across the Group. Accessible to all employees, it covers the organisational structure; governance (including Board Charter and various committees); internal controls, risk framework and business conduct; mandated reviews and reports (core business processes) and company-wide mandated policies. The code of conduct is part of the CEO’s portfolio of responsibilities.’

Company website: Our response to Woolf Committee Recommendation 6 - ROLE OF INTERNAL AUDIT FUNCTION
‘In 2009 and 2010, our Internal Audit team worked with The Good Corporation to establish a
methodology for assessing responsible business conduct and non-financial risk as part of internal audits. This was implemented during 2011.

The Head of Internal Audit attends CRC meetings and reports regularly on CR-related work undertaken by the Internal Audit function and the key findings from this audit activity. The CRC and the Audit Committee hold a joint meeting each year to review work undertaken by the Internal Audit function and, as set out in their terms of reference, jointly approve the programme of internal audits for the following year.’

http://www.baesystems.com/article/BAES_020632/recommendation-6

Company website: Our response to Woolf Committee Recommendation 10 - REVIEW OF KEY ETHICAL POLICIES AND PROCEDURES

‘We are committed to review our Code of Conduct and all relevant policies at least every three years to ensure they remain current and continue to reflect the standards expected of a leading global company.

The first review of the Code of Conduct was completed in 2010, following its introduction in 2009. The review aimed to ensure it remains aligned with leading practice and included an external benchmarking report produced by the Institute of Business Ethics. The second edition of the Code of Conduct was launched in July 2011 and addresses gaps associated with revised policies since the Code’s launch as well as feedback received from employees.’

http://www.baesystems.com/article/BAES_020639/recommendation-10

2012 Annual Report, p.39:

‘Clear governance structures and visible leadership play a vital role in embedding CR.

The Chief Executive has overall responsibility for the Group’s ongoing commitment to CR. He is supported by the Board and Corporate Responsibility Committee in ensuring that appropriate policies, systems, reporting structures and metrics are in place to achieve the Group’s ethical, social and environmental performance objectives.

The Group’s CR team reports directly to the Chief Executive, and supports the Executive Committee in embedding and driving CR processes and performance. Performance is measured and risk monitored throughout the year via the Group’s six-monthly Operational Assurance Statement (OAS) (see page 86) and Quarterly Business Review (QBR) (see page 84) processes.

The Group’s Internal Audit team also assesses the effectiveness of policies and processes relating to key areas of ethical and reputational risk.’

Company website: Improving our Standards

‘We are continuously improving and evolving our ethics programme by listening to employee feedback; benchmarking with global companies across all industry sectors and commissioning independent reviews of our programmes.

Our Code of Conduct and policies are reviewed at least every three years and updated to reflect internal and external changes and advancements as well as existing and emerging risks.’
‘To assess the effectiveness of our programmes, we open our systems for third party external review and assurance. During the first quarter of 2014, the Ethical Leadership Group (ELG) reviewed our business conduct programme. The review included assessing the Company’s processes and policies around ethics and conducting employee focus groups to measure employee understanding and awareness of the programme. We also have limited metrics assured, on ethics helpline and dismissals data, for external reporting annually. Both external reviews help drive ongoing improvements in our standards and processes.’


Company website: Our response to Woolf Committee Recommendation 23 - ASSURANCE AND REPORTING

‘We commissioned the Ethical Leadership Group (ELG) to conduct an independent assessment of our business conduct programme and assess our progress to date in meeting the Woolf Recommendations. ELG is the expert advisory practice of Global Compliance, a leading global compliance advisor that aims to help companies build and strengthen cultures of integrity.

ELG’s in-depth review of our business took more than six months and covered our global operations. Their findings are based on a review of programmes and communications, interviews with 42 leaders in the company - including the Chairman, the Chief Executive, the Chairman of the CR Committee and senior managers in each home market - and a series of focus groups involving over 600 employees. Their assessment included a review of our process for assessing non-financial risk.

The key findings are published on our website.’

http://www.baesystems.com/article/BAES_020653/recommendation-23

Company website: CR Committee

‘SUMMARY OF RESPONSIBILITIES:
- Assisting the Board in overseeing the development of strategy, and policy on social, environmental and ethical matters.
- Keeping under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational and other non-financial risks.
- Monitoring and reviewing the role and effectiveness of the Company’s Internal Audit function in relation to corporate responsibility.
- Providing oversight of the Company’s compliance with corporate responsibility-related policies and procedures.
- Reviewing audit and assurance reports produced by the corporate responsibility assurer.
- Overseeing and supporting key stakeholder engagement on social, environmental and ethical issues.
- Making proposals to the Remuneration Committee regarding appropriate corporate responsibility-related performance objectives for executive directors.'
- Reviewing the Company’s arrangements for employees to obtain further advice on ethical issues in confidence.
- Ensuring that the Code of Conduct is regularly reviewed and reflects best practice for such codes.
- Ensuring the Company’s Annual Report and Accounts includes an examination of ethical business conduct within the Company.’


Corporate Responsibility Committee – Terms of Reference (November 2011), p.2:
‘8.1.1 The Committee shall assist the Board in overseeing the development of strategy and policy on social, environmental and ethical issues.’

(p.3): ‘8.2.1 The Committee shall keep under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational risks involving Responsible Behaviour, to include health and safety, workplace policies, environmental impact and business ethics.’

(p.4): ‘8.4.4 The CR Assurer shall review and report to the Committee on the Company’s conduct with regards to responsible behaviour and the management of associated reputational risk at regular intervals.
8.4.5 The Committee shall review the CR Assurer’s proposed assurance plan, agree its programme of activities for the year and keep these under regular review.’

(pp.4-5): ‘9.1.1 The Committee shall review the annual Corporate Responsibility Report, prior to approval of the Report by the Board.
9.1.2 The Committee shall undertake, on behalf of the Board, to monitor the integrity of CR reporting in the annual Corporate Responsibility Report.
9.1.3 The Committee shall ensure the annual Corporate Responsibility Report includes an examination of responsible behaviour within the Company.’

Audit Committee – Terms of Reference (February 2011), p.4:
‘7.6.1. In order to ensure that employees are able, in confidence, to raise concerns about possible improprieties in matters of financial reporting, the Committee shall receive a report each year from the Corporate Responsibility Committee on its review of the effectiveness of the Company’s Ethics Helpline.’

A8(a):
Is there a formal, clear, written plan in place on which the review of the ethics and anti-corruption agenda by the Board or senior management is based, and evidence of improvement plans being implemented when issues are identified?

Score:

1

Comments:

Based on public information, there is limited readily available evidence of a plan that guides the review of the ethics agenda, and that improvement plans are implemented when issues are identified. The Corporate Responsibility team measures the performance throughout the year via the company’s six-monthly Operational Assurance Statement and Quarterly Business Review processes. There is evidence of several monitoring indicators, such as a survey of employee opinions and reporting statistics to the Ethics Helpline and ethics officers, as well as improvement plans being implemented when weaknesses are identified. However, there is limited public evidence of a formal, written plan that guides the Board or senior management review of the ethics and anti-corruption agenda. The company therefore scores 1.

References:

Public:
Company website: Code of Conduct and Key Policies
‘We regularly benchmark our Code of Conduct against other global companies to ensure it continues to meet best practice.’
http://www.baesystems.com/article/BAES_020436/code-of-conduct-and-key-policies

Annual Report 2013, p.64:
‘Ensure that the Company remains at the forefront of developing and embedding best practice in responsible business behaviour.
The Board and Corporate Responsibility Committee reviewed responsible business conduct and agreed a number of actions, including a survey of employee opinions, similar to that undertaken by the Ethical Leadership Group in 2011.’
(p.78): Corporate Responsibility: ‘reviewed the operation and effectiveness of the Company’s Ethics Helpline and the nature of matters reported; reviewed the Company’s anti-bribery compliance processes, including those for the appointment of advisers’

(p.112): ‘During 2013, 1,043 enquiries were reported to Ethics Officers and through the Ethics Helpline. The Group has seen a steady increase in reports and requests for guidance to Ethics Officers as they become more established within their businesses.’

(p.113): ‘Enquiries to Ethics Helpline
2013 : 1,043
2012 : 1,024
2011 : 1,011
2010 : 734
2009 : 870’
‘2013 enquiries to Ethics Helpline
Guidance and Advice : 383
Employee relations and conduct : 194
Management practices : 189
Accounting charges practices : 89
Open enquiries : 59
Other : 129’

(p.77): Corporate Responsibility Committee
‘As conduct is often driven by organisational culture, this year we will engage an independent third party to undertake a survey of employee opinions across the Group, similar to that undertaken by the Ethical Leadership Group in 2011.’

Company website: How Do We Track Concerns Raised
‘Enquiries and reports to our Ethics Officers and Ethics Helpline (referred to as contacts) are monitored and tracked using an internal case management tool. Each contact is given a unique identification number, so that progress can be reported back to the individual who has raised the concern. Each contact is dealt with internally and, when completed, feedback given to the caller.

All contacts are reported to and monitored by the Ethics Review Committee or, at BAE Systems Inc, by the Ethics Oversight Committee. Data and information from both of these is (jointly) reported to the CR Committee. Key indicators that are monitored and reported against include the:
-Number of new contacts received during specified period (usually a Quarter)
-Number of existing contacts closed during same period
-Average time (in days) taken to close out contacts (measured from receipt to feedback
provision to caller)
- % of contacts that were from callers wishing to remain anonymous
- % of contacts (requiring investigation) that were substantiated

All contacts are categorised and a record of resolution/outcomes maintained. This allows for significant trends to be identified (whether by category or business) that may require further intervention, as well as learnings that can be incorporated into, for example, the Code, process and policy updates and training and ongoing employee communications. We also use the data and information we collate to compare against external benchmark reports.’


Company website: Employee Feedback
‘Feedback from our Employee Opinion Survey shows improvements in their views on business conduct policies and processes at BAE Systems over the past two years and we are working hard to continue these improvements.’

http://www.baesystems.com/article/BAES_020442/employee-feedback

Company website: Improving our Standards
‘We are continuously improving and evolving our ethics programme by listening to employee feedback; benchmarking with global companies across all industry sectors and commissioning independent reviews of our programmes. Our Code of Conduct and policies are reviewed at least every three years and updated to reflect internal and external changes and advancements as well as existing and emerging risks.’

‘To assess the effectiveness of our programmes, we open our systems for third party external review and assurance. During the first quarter of 2014, the Ethical Leadership Group (ELG) reviewed our business conduct programme. The review included assessing the Company’s processes and policies around ethics and conducting employee focus groups to measure employee understanding and awareness of the programme. We also have limited metrics assured, on ethics helpline and dismissals data, for external reporting annually. Both external reviews help drive ongoing improvements in our standards and processes.’


Ethics Training Facilitators booklet (2014), p.4:
‘The training has been designed to continue our understanding, awareness and application of our Code of Conduct and encompasses the feedback that we have received from BAE Systems employees on a continuous basis.’

Company website: Meeting High Ethical Standards
‘As key elements of our governance framework, our Code and policies are regularly reviewed and updated to reflect internal and external changes and advancements at least every three years.’

A9: Does the company have a formal process for review and where appropriate update its policies and practices in response to actual or alleged instances of corruption?

Score:

1

Comments:

Based on public information, there is no readily available evidence that the company has a formal process, to review and update its policies and practices in response to actual or alleged instances of corruption. However, the company appointed the Woolf Committee to deliver an independent report on the company’s ethics agenda, in response to a corruption scandal. The company therefore scores 1. To score higher the company would need to provide evidence that in the event of any allegations of corruption, the company has a procedure to review and update its policies and practices.

References:

Public:
Company website: The Woolf Committee
‘Our Board of Directors appointed the Woolf Committee to deliver an independent report on our ethics policies and processes to make recommendations aimed at achieving a leadership position in ethical business conduct.’
http://www.baesystems.com/page/BAES_020588

Woolf Report (May 2008), p.9:
‘Together, these contributed to the widely-held perceptions that it was involved in inappropriate behaviour. They recognise that, justly or otherwise, these perceptions have damaged the Company’s reputation and that it must continue along the route of taking all practicable steps to ensure that such circumstances do not re-o-curr in relation to future contracts.
In these circumstances the Company has embarked on a programme of change to ensure that its ethical standards matched the highest global standards in the industry. One of the steps it has taken is to set up the Woolf Committee.’
European Business Ethics Forum Conference Report, 2014, pp.2-3:
‘Reflections from the CEO in Rebuilding
Trust Speaker: Ian King, Chief Executive, BAE Systems
Ian King gave a personal reflection on the cultural journey of BAE Systems and the role of the CEO in this.

Ian first gave a brief history of how BAE was formed in 1999 from two very culturally different organisations: Marconi and British Aerospace. The reputation of the newly formed company was not good and recent UK press coverage had undermined public confidence. The company had to get a new Chief Executive to focus on operational excellence for survival and elected its first non-exec chairman. This meant a second high profile cultural and board change. The exec had to learn how to work with this non-exec structure.

Two years later, the Serious Fraud Office started an investigation and BAE’s relations with stakeholders were under threat again. While the defence sector reputation remained poor how could a company like BAE regain trust? The company appointed Lord Woolf to head a committee to provide independent oversight and commitment to implement all of his recommendations.’


Company website: Meeting High Ethical Standards
‘As key elements of our governance framework, our Code and policies are regularly reviewed and updated to reflect internal and external changes and advancements at least every three years.’


Ti also notes:
Company website: Operational Framework:
‘The Board has established a culture of good governance and high business ethics.’ Sir Roger Carr, Chairman.
‘Clear governance structures and visible leadership play a vital role in embedding corporate responsibility.

Our governance framework, as described in the Operational Framework (OF), sets out how business is done across BAE Systems. It clarifies the roles and responsibilities within the Company and, sitting alongside the Code of Conduct, it guides our work and behaviour wherever we operate in the world.

The business policies and processes detailed within the OF draw upon global best practice and their application is mandated across the company.

The OF is reviewed on an annual basis by the Board. The Board and its committees review compliance with the requirements of the OF on a regular basis. All Line and Functional
Leaders are responsible for ensuring that the requirements of the OF are applied in the Company’s operations through appropriate operational and financial controls within their Businesses.

All employees have access to the Operational Framework.’


Company website, Managing Corporate Responsibility:

‘INTEGRATING RESPONSIBLE BEHAVIOUR IN OUR CORE BUSINESS PROCESSES

We manage corporate responsibility as an integrated part of the way we do business.

Our Operational Framework, the set of core policies and processes that guide all aspects of our work, includes our policies on responsible business practices such as gifts and hospitality, facilitation payments and conflicts of interest as well as our policies on the environment, safety and diversity and inclusion.

Twice a year, line leaders - heads of individual business units - report their compliance against the Operational Framework through our Operational Assurance Statement process. We set objectives on issues such as business conduct, safety, diversity and inclusion and the environment (see our Annual Report). Businesses report progress against these objectives alongside financial performance through our Quarterly Business Review process. These reviews provide an opportunity to measure and chart the performance of individual businesses and identify any potential risk areas.

In addition to our Operational Framework, our Lifecycle Management Framework is used for managing all major projects, and includes a series of checks and reviews that managers must carry out during the lifetime of a project. Responsible behaviour is considered at every stage. Guides and Handbooks provide advice and guidance for managers on all aspects of the Framework and how and when to apply the checks and reviews.’


Annual Report (2013), p. 19:

‘Operational Framework – a stable foundation from which to deliver strategy and performance

The Operational Framework is a document that sets out how business is done across BAE Systems. Reviewed on an annual basis by the Board, it is based on principles of good governance and details the values, policies and processes that are mandated across the Group, and how the Board delegates authority.

The Board and its committees review compliance with the requirements of the Operational Framework on a regular basis.’

http://bae-systems-investor-relations-v2.production.investis.com/~/media/Files/B/BAE-
A9(a):
Does the company have a formal anti-corruption risk assessment procedure implemented enterprise-wide?

Score:
2

Comments:
Based on public information, there is evidence that the company has a risk assessment procedure implemented enterprise-wide, which includes an anti-corruption element. The company identifies legal and regulatory compliance as a principal risk in the 2013 Annual Report. The Corporate Responsibility Committee monitors the company’s significant non-financial risks, including those relating to business conduct, with the findings reported to the Board on a regular basis. The responsibility for mitigating risks rests with the line managers of each business. Every six months businesses complete an Operational Assurance Statement (OAS), which consists of a self-assessment of compliance with the 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 by the businesses from the risk assessment processes are collated and reviewed by the Executive Committee, to identify those issues where the cumulative risk, or possible reputational impacts, could be significant.

References:
Public:
Annual Report 2013, p.29:
Risk Management
‘The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, 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 is aimed at providing the Board with an appreciation of the key risks within the business and oversight of how they are being managed.
The Board delegates certain risk management activities to the Audit and Corporate Responsibility committees as follows.’
‘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, and reports its findings to the Board on a regular basis.’

(p.30): 

Risk Management Policy – Mandated Policy

1. IDENTIFICATION

Financial and non-financial risks recorded in controlled risk registers

2. ANALYSIS

Risks analysed for impact and probability to determine gross exposure

3. EVALUATION

Risk exposure reviewed and risks prioritised

4. MITIGATION

Risk owners identified and action plans implemented
Robust mitigation strategy subject to rigorous review

(p.31): ‘Principal Risks Summary’.

‘Laws and Regulations: The Group is subject to risk from a failure to comply with laws and regulations’

(p.69): ‘Risks are identified on a ‘bottom-up’ basis as part of the Company’s operational Assurance Statement (OAS) process. This process is mandated across the Group, and requires that the heads of all businesses and functions identify their key risks. As part of this process, an assessment is made of the probability of the risk arising and its potential impact on the Group’s business plan. All risks have an owner who is responsible for preparation and implementation of plans aimed at mitigating the risk.

The key financial and non-financial risks identified by the businesses from the risk assessment processes are collated and reviewed by the executive Committee to identify those issues where the cumulative risk, or possible reputational impacts, could be significant.’

Annual Report 2013, p.78:

Corporate Responsibility: ‘considered the outputs from the non-financial risk reviews undertaken by the Executive Committee and the status of associated mitigation activity’

(p.108): Principal risks: Laws and regulations

‘Description: The Group has contracts and operations in many parts of the world, operates in a highly regulated environment, and is subject to applicable laws and regulations of many jurisdictions. These include, without limitation, regulations relating to import-export controls, money laundering, false accounting, anti-bribery and anti-boycott provisions. Non-compliance could expose the Group to fines, penalties, suspension or debarment,'
which could have a material adverse effect on the Group. From time to time, the Group is subject to government investigations relating to its operations.

Impact: Failure by the Group or its sales representatives, marketing advisers or others acting on its behalf to comply with these laws and regulations could result in administrative, civil or criminal liabilities resulting in significant fines and penalties, and/or result in the suspension or debarment of the Group from government contracts for some period of time or suspension of the Group’s export privileges.

Mitigation: During the year, the Group has continued to add resources dedicated to legal and regulatory compliance in order to enhance further its capability to identify and manage the risk of compliance failure. Internal and external market risk assessments form an important element of the ongoing corporate development and training processes. A uniform global policy and process for the appointment of advisers engaged in business development is in effect. Pursuant to its commitments concerning ongoing regulatory compliance made in the course of the 2011 settlement with the US Department of State, the Group appointed a Special Compliance Official in 2011 for a period of not less than three years to monitor the Group’s compliance with its commitments under that settlement and its compliance obligations going forward.

(p.108): ‘During the year, the Group has continued to add resources dedicated to legal and regulatory compliance in order to enhance further its capability to identify and manage the risk of compliance failure. Internal and external market risk assessments form an important element of the ongoing corporate development and training processes.’

Company website: Ethics within Risk Management Framework

‘The Board has overall responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and ensuring that risks are managed effectively across the Company. Risk is a regular agenda item at Board meetings and the Board reviews risk as part of its annual strategy review process. This is aimed at providing the Board with an appreciation of the key risks within the business and oversight of how they are being managed.

The Board delegates certain risk management activities to the Audit and Corporate Responsibility committees.

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

The Company’s approach to risk management is aimed at the early identification of key risks, removing or reducing the likelihood and effect of those risks before they occur and dealing with them effectively if realised.

The responsibility for risk identification, analysis, evaluation and mitigation rests with the line management of the businesses. They are also responsible for reporting and monitoring key risks in accordance with established processes under the Company’s Operational Framework (OF).
Every six months, the businesses complete an Operational Assurance Statement (OAS), which is a mandated policy within the OF. The OAS is in two parts: a self-assessment of compliance with the OF (which includes compliance with policies and processes and the Code of Conduct); and a report showing the key financial and non-financial risks for the relevant business.

The key financial and non-financial risks identified by the businesses from the risk assessment processes are collated and reviewed by the Executive Committee to identify those issues where the cumulative risk, or possible reputational impacts, could be significant.

Management responsibility for the management of the Company’s most significant non-financial risks is determined by the Executive Committee. 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.

The risk management process is also integrated within our Mergers, Acquisition and Disposals, and Offset processes.‘


Board Charter, 2011, p.9:
‘The [Audit] Committee shall approve a programme of internal audit work each year; in addition the Committee shall be jointly responsible with the Corporate Responsibility Committee for approving such a programme aimed at assessing the effectiveness of policies and processes relating to key areas of ethical and reputational risk.’

(p.15): ‘The [CR] Committee shall keep under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational risks involving Responsible Behaviour, to include health and safety, workplace policies, environmental impact and business ethics.

The [CR] Committee shall review, prior to endorsement by the Board, the proposed statement to be included in the Annual Report on the Group’s system of internal controls, including risk management systems, in so far as it relates to CR.’

2012 Annual Report, p.86:
‘The Operational Assurance Statement (OAS) process is a key element of the Company’s governance that is formed of two parts: a self-assessment of compliance with mandated policies and processes; and a report showing key risks for each business and function.

Managed by the Group’s Internal Audit function, an OAS return must be completed every six months by each operational and functional business head, recording their formal review against such matters as compliance with law and regulation, ethical business conduct, financial controls, risk management, compliance with business planning processes, health and safety, conicts of interest, delegated authorities, appointment of advisers, and product
Company website: Our response to Woolf Committee Recommendation 4 – Role of the Board of Directors

‘The Board of Directors and senior leadership review risks including compliance and reputation issues and have implemented a formal risk assessment process across the company. We extended our risk management policy to include non-financial risks in 2010. Our formal risk assessment process is used to structure and inform our business conduct programme and includes the Operational Assurance Statement process. Specific areas identified as having high risk potential are prioritised.’

http://www.baesystems.com/article/BAES_020630/recommendation-4

Company website: Our response to Woolf Committee Recommendation 6 – Role of Internal Audit Function

‘In 2009 and 2010, our Internal Audit team worked with The GoodCorporation to establish a methodology for assessing responsible business conduct and non-financial risk as part of internal audits. This was implemented during 2011.

The Head of Internal Audit attends CRC meetings and reports regularly on CR-related work undertaken by the Internal Audit function and the key findings from this audit activity.

The CRC and the Audit Committee hold a joint meeting each year to review work undertaken by the Internal Audit function and, as set out in their terms of reference, jointly approve the programme of internal audits for the following year.’

http://www.baesystems.com/article/BAES_020632/recommendation-6

Company website: Our response to Woolf Committee Recommendation 9 - DECISION MAKING WITHIN THE COMPANY

‘Our Responsible Trading Principles require us to make informed assessments and responsible decisions about the nature of our products and the business opportunities we choose to pursue. This requires careful consideration of products and services to ensure that neither BAE Systems nor our customers are exposed to reputational risk.

Ethical and reputational risks are included in our formal risk assessment process and the management and mitigation of these risks is embedded into our core business policies and procedures. Policies relating to responsible business conduct are now integrated into every section of our Operational Framework, the set of mandated policies, charters and processes that guide everything we do. To achieve this, we added a number of new policies and strengthened existing policies, including those relating to Advisers, Conflicts of Interest, Facilitation Payments, and Gifts and Hospitality (see our response to recommendation 13 and our response to recommendation 14).

Line leaders and functional directors report compliance against each part of the Operational Framework to the Chief Executive twice a year through our Operational Assurance Statement, which assures compliance with mandated policies and processes.

The Lifecycle Management Framework used in all our major projects has been revised to
reflect the four elements of our Total Performance approach, including Responsible Behaviour. This framework requires, for example, that reviews carried out at the start of projects now include consideration of responsible trading risks.’

INDEPENDENT REVIEW OF THE BAE SYSTEMS’ BUSINESS CONDUCT PROGRAM – Ethical Leadership Group (May 2011), p.3:
‘BAE Systems has a substantial and formal risk assessment process that is used to structure and inform its Business Conduct program; this includes the Operational Assurance Statement (“OAS”) process. The Company has also identified specific areas of high potential risk and these are given priority. And, perhaps the most important factor to ensure an effective risk management effort: the Board of Directors and senior leadership focus on compliance risks.
BAE Systems’ risk assessment processes are more formalized and embedded in operations than we typically see. Moreover, BAE Systems focuses on non-financial/corporate responsibility risk separately from enterprise (financial) risks, which is relatively unusual. On both fronts, BAE Systems is to be commended. Although we did not conduct our own risk assessment, we saw no indication that the Company is currently missing any significant ethics or compliance-related risk area.’

(p.5): ‘Auditing and Monitoring
BAE Systems has developed a detailed and best practice auditing framework which is directly based on topics covered in its code of conduct, and which itemizes the practices to be assessed. We reviewed the document and found it to be clear and complete and the process and planned scope of the audits was consistent with industry practices.’

Company website: Managing Corporate Responsibility
‘Twice a year, line leaders - heads of individual business units - report their compliance against the Operational Framework through our Operational Assurance Statement process. We set objectives on issues such as business conduct, safety, diversity and inclusion and the environment (see our Annual Report). Businesses report progress against these objectives alongside financial performance through our Quarterly Business Review process. These reviews provide an opportunity to measure and chart the performance of individual businesses and identify any potential risk areas.’

Corporate Responsibility Committee – Terms of Reference (November 2011), p.3:
‘8.2.1 The Committee shall keep under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational risks involving Responsible Behaviour, to include health and safety,
workplace policies, environmental impact and business ethics.

8.2.2 The Committee shall review, prior to endorsement by the Board, the proposed statement to be included in the Annual Report on the Group’s system of internal controls, including risk management systems, in so far as it relates to CR.

‘8.3.1 Members of the Committee shall review CR related reports from Internal Audit and assess management responsiveness to the findings.

8.3.2 The Committee shall monitor the role and effectiveness of the Company’s Internal Audit Function in relation to CR and monitor the development of the capability and capacity of Internal Audit to perform its role with regards to CR assurance.

8.3.3 The Committee and the Audit Committee shall 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.

8.3.4 The Committee and the Audit Committee shall be jointly responsible for approving the appointment and removal of the Head of the Company’s Internal Audit function.

8.3.5 The Head of the Company’s Internal Audit function and Managing Director of the CR function shall have direct access to the Chairman of the Committee.’

Audit Committee – Terms of Reference (February 2011), p.2:

‘7.2.3. The Committee shall approve a programme of internal audit work each year; in addition the Committee shall be jointly responsible with the Corporate Responsibility Committee for approving such a programme aimed at assessing the effectiveness of policies and processes relating to key areas of ethical and reputational risk.’


Company website: CR Committee

‘- Keeping under review the effectiveness of the Company’s internal control policies and procedures for the identification, assessment, management and reporting of reputational and other non-financial risks.

- Monitoring and reviewing the role and effectiveness of the Company’s Internal Audit function in relation to corporate responsibility.’

A10:

Does the company have a formal anti-corruption risk assessment procedure for assessing proposed business decisions, with clear requirements on the circumstances under which such a procedure should be applied?

Score:

2

Comments:

Based on public information, there is evidence that the company has a formal anti-corruption risk assessment for assessing proposed business decisions. When the company is in the process of a merger or acquisition, it carries out assessments of the parties to a potential transaction, and the acquisition target’s key business conduct policies and governance framework. Similarly prospective joint venture partners and suppliers are assessed for a responsible trading policy or a Code of Conduct, and advisers undergo due diligence.

References:

Public:
Annual Report 2013, p.110:
‘Principal Risks: Acquisitions
Description: The Group considers investment in value-enhancing acquisitions where market conditions are right and where they deliver on its strategy. Whether the Group realises the anticipated benefits from these transactions depends upon the successful integration of the acquired businesses, as well as their post-acquisition performance in the markets in which they operate.
Impact: The diversion of management attention to integration efforts and the performance of the acquired businesses below expectations could adversely affect the Group’s business, and create the risk of impairments arising on goodwill and other intangible assets.
Mitigation: The Group has established policies in place to manage the acquisition process, monitor the integration and performance of acquired businesses, and identify potential impairments.’

(p.108): ‘During the year, the Group has continued to add resources dedicated to legal and regulatory compliance in order to enhance further its capability to identify and manage the risk of compliance failure. Internal and external market risk assessments form an important
Company website: Our response to Woolf Committee Recommendation 9 - DECISION MAKING WITHIN THE COMPANY

‘Our Responsible Trading Principles require us to make informed assessments and responsible decisions about the nature of our products and the business opportunities we choose to pursue. This requires careful consideration of products and services to ensure that neither BAE Systems nor our customers are exposed to reputational risk.

Ethical and reputational risks are included in our formal risk assessment process and the management and mitigation of these risks is embedded into our core business policies and procedures. Policies relating to responsible business conduct are now integrated into every section of our Operational Framework, the set of mandated policies, charters and processes that guide everything we do. To achieve this, we added a number of new policies and strengthened existing policies, including those relating to Advisers, Conflicts of Interest, Facilitation Payments, and Gifts and Hospitality (see our response to recommendation 13 and our response to recommendation 14).

Line leaders and functional directors report compliance against each part of the Operational Framework to the Chief Executive twice a year through our Operational Assurance Statement, which assures compliance with mandated policies and processes.

The Lifecycle Management Framework used in all our major projects has been revised to reflect the four elements of our Total Performance approach, including Responsible Behaviour. This framework requires, for example, that reviews carried out at the start of projects now include consideration of responsible trading risks.’


Company website: 15 - ACQUISITIONS, JOINT VENTURES AND CONTRACTORS

‘Our mandated Mergers, Acquisitions & Disposal process was revised in January 2010 to include the formal assessment of non-financial risk. This includes the assessment of the parties to a potential transaction as well as an assessment of an acquisition target’s key business conduct policies and governance framework.

On completion of the acquisition of a wholly owned business, such business is required to comply with our Operational Framework which includes our Code of Conduct and Responsible Trading Principles. An appropriate programme is agreed to achieve this together with the requisite training to be delivered in a timely manner.

We aim to select joint venture partners who share our values and who have standards in place equivalent to our own, including a code of conduct.

Although we cannot require our joint ventures to adopt our specific standards and policies, our Operational Framework requires employees appointed to the management boards of joint ventures to exert influence to encourage the adoption of equivalent policies and processes to our own.

We are also strengthening our approach to governing existing joint ventures. We conducted an audit in 2010 to benchmark our approach against the Dow Chemical Six Pillar model best-in-class approach. We identified a number of examples of good practice as well as some
areas for improvement which we will address by January 2012. These areas include:

- Introducing a Joint Venture handbook that provides guidance on how policies and processes within our Operational Framework are applied to the formation, management and disposal of joint ventures
- Strengthening the approval process for changes to joint venture agreements
- Including all joint ventures in our Integrated Business Plan annual review process and updating the Operational Assurance Statement process for joint ventures
- Amending the Audit Committee’s terms of reference to include Joint Ventures
- Establishing clear guidance for BAE Systems personnel responsible for managing joint ventures.’


Company website: Promoting our Standards to Business Partners

‘We aim to select joint-venture partners and suppliers who share our values and have their own equivalent standards in place. This includes assessment of responsible trading including whether the prospective supplier or joint venture partner has a responsible trading policy or appropriate Code of Conduct.

In line with our Mergers, Acquisitions and Disposals Policy, non-financial risks are assessed as part of our due diligence process for evaluating new joint venture partners. Input from our Corporate Responsibility team is sought as appropriate to inform this process.

When we look to establish teaming agreements with prospective partners to deliver contracts, an assessment, including any potential responsible trading risks is carried out.’


Code of Conduct UK, 2011, p.50:

‘Our standard
We will only appoint advisers of known integrity and require that their conduct meets our standards at all times.
What it means to me
The company sometimes uses advisers – such as consultants or distributors – 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 that work with advisers and only a very few are authorised to appoint and sign contracts with them.
If we work with advisers, we must understand and always comply with the company policy on the appointment of advisers. Our policy describes the due diligence procedures and mandatory approval process we use in selecting and appointing advisers. We demand that all of our advisers, consultants and distributors comply with our policies. If you are ever aware of any possible violation of these policies by an adviser you must report it to your Legal department.’
A11: Does the company conduct due diligence that minimises corruption risk when selecting or reappointing its agents?

Score:

1

Comments:

Based on public information, there is evidence that the company conducts due diligence when selecting agents. The company therefore scores 1. To score higher the company would have to provide evidence that it refreshes the due diligence for agents at least every 3 years, and/or when there is a significant change in the business relationship.

References:

Public:
Code of Conduct UK, 2011, p.50:
‘Our standard
We will only appoint advisers of known integrity and require that their conduct meets our standards at all times.
What it means to me
The company sometimes uses advisers – such as consultants or distributors – 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 that work with advisers and only a very few are authorised to appoint and sign contracts with them.
If we work with advisers, we must understand and always comply with the company policy on the appointment of advisers. Our policy describes the due diligence procedures and mandatory approval process we use in selecting and appointing advisers. We demand that all of our advisers, consultants and distributors comply with our policies. If you are ever aware of any possible violation of these policies by an adviser you must report it to your Legal department.’

(p.51): ‘Practical examples
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 your Legal department or the relevant Group Business Development representative.

Q. I am under a tight deadline to appoint a consultant who could be important to landing a large contract in a new market. Is it ok to provide a verbal agreement to proceed and complete the relevant checks later?

A. No. Our policy requires that the due diligence checks have been completed. Experienced advisers know that this is necessary. Inform your line manager and Legal department about the issue and seek their support in completing the necessary processes quickly.

Which policies provide more information?

Advisers Policy

Are there any specialists I can talk to?

Chief Counsel, Compliance And Regulation, BAE Systems plc

Associate General Counsel, International And Domestic Compliance, BAE Systems Inc

Your Legal department

Your Group Business Development department’

Company website: Advisers

‘Some stakeholders are concerned that the use of Advisers may be associated with corruption. Our Adviser Policy, initially introduced in 2007, helps us to address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of Advisers.

The policy governs our process for selecting, appointing and managing, paying and terminating advisers. The Adviser 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; and
- There is a clearly demonstrated business case for retaining the Adviser and compelling justification for the remuneration proposed.

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.

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

http://www.baesystems.com/article/BAES_051651
Company website: Our response to Woolf Committee Recommendation 11 - SELECTION, APPOINTMENT AND MANAGEMENT OF ADVISERS

'We reviewed and updated our approach to selecting, appointing and managing advisers in 2007. This is now incorporated into our revised Advisers Policy which is integrated into our Operational Framework. The policy requires that:

- The company must only appoint advisers of known integrity and they must comply with our standards of conduct at all times
- The appointment process for advisers must confirm 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.

The appointment of 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) is reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. All such advisers appointed in 2010 were appointed in accordance with our global adviser policy.

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

A12:
Does the company have contractual rights and processes for the behaviour, monitoring, control, and audit of agents with respect to countering corruption?

Score:

0

Comments:
Based on public information, there is no readily available evidence that the company has contractual rights and processes, for the behaviour, monitoring, control, and audit of agents, with respect to countering corruption. Despite the Code of Conduct stating that all advisers must meet the company’s standards of conduct at all time, there is no evidence of contractual rights and formal processes to prevent or deal with the occurrence of any violations.

References:
Public:
TI notes:
Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’

(p.22): ‘We will encourage our suppliers and other business partners to adopt the same or similarly high standards of ethical behaviour.’
(p.50): ‘Our standard
We will only appoint advisers of known integrity and require that their conduct meets our standards at all times.

What it means to me
The company sometimes uses advisers – such as consultants or distributors – 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 that work with advisers and only a very few are authorised to appoint and sign contracts with them.

If we work with advisers, we must understand and always comply with the company policy on the appointment of advisers. Our policy describes the due diligence procedures and mandatory approval process we use in selecting and appointing advisers. We demand that all of our advisers, consultants and distributors comply with our policies. If you are ever aware of any possible violation of these policies by an adviser you must report it to your Legal department.’

(p.51): ‘Practical examples
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 your Legal department or the relevant Group Business Development representative.

Q. I am under a tight deadline to appoint a consultant who could be important to landing a large contract in a new market. Is it ok to provide a verbal agreement to proceed and complete the relevant checks later?
A. No. Our policy requires that the due diligence checks have been completed. Experienced advisers know that this is necessary. Inform your line manager and Legal department about the issue and seek their support in completing the necessary processes quickly.

Which policies provide more information?
Advisers Policy
Are there any specialists I can talk to?
Chief Counsel, Compliance And Regulation, BAE Systems plc
Associate General Counsel, International And Domestic Compliance, BAE Systems Inc
Your Legal department
Your Group Business Development department’

Company website: Advisers
‘Some stakeholders are concerned that the use of Advisers may be associated with corruption. Our Adviser Policy, initially introduced in 2007, helps us to address this concern by reducing ethical, reputational and legal risks associated with the appointment and use of
Advisers.
The policy governs our process for selecting, appointing and managing, paying and terminating advisers. The Adviser 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; and
- There is a clearly demonstrated business case for retaining the Adviser and compelling justification for the remuneration proposed.

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.

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

Company website: Our response to Woolf Committee Recommendation 11 - SELECTION, APPOINTMENT AND MANAGEMENT OF ADVISERS
‘We reviewed and updated our approach to selecting, appointing and managing advisers in 2007. This is now incorporated into our revised Advisers Policy which is integrated into our Operational Framework. The policy requires that:
- The company must only appoint advisers of known integrity and they must comply with our standards of conduct at all times
- The appointment process for advisers must confirm 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.

The appointment of 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) is reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. All such advisers appointed in 2010 were appointed in accordance with our global adviser policy.

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

A13:
Does the company make clear to contractors, sub-contractors, and suppliers, through policy and contractual terms, its stance on bribery and corruption and the consequences of breaches to this stance?

Score:

2

Comments:
Based on public information, there is evidence that the company makes clear to contractors, sub-contractors, and suppliers, its stance on bribery and corruption and the consequences of breaches to this stance. All supplier contracts contain clauses encouraging them to comply with the company’s Code of Conduct or equivalent standards. Compliance is assessed regularly with high-risk suppliers, and if issues are identified and standards cannot be improved, the company can terminate a contract.

References:
Public:
Annual Report 2013, p.118:
‘The Group requires its suppliers to comply with local legislation and to apply standards on issues such as ethical conduct, health and safety, environment, civil liberties and human rights that are equivalent to those mandated across BAE Systems. The Group also requires them to have an ethical Code of Conduct for Responsible Trading of similar standard to its own, and to apply these standards in their own supply chains. Compliance to required standards is evaluated during the supplier selection process, and for existing suppliers as part of ongoing quality and approvals assurance.’

(p.119): ‘To facilitate such an assessment, BAE Systems has created a set of Responsible Trading Characteristics for Procurement. These characteristics are captured in six questions which should be asked throughout the procurement lifecycle.
1. Do the major suppliers have a code of conduct or responsible trading policy of a comparable standard to BAE Systems?
2. 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?’
3. Does the product or service being procured conform to BAE Systems’ Product Safety Policy?

4. Is the product or service being procured subject to export control, and if so, are the appropriate clearances or licences in place or planned?

5. Is it likely that the production of this product or service will violate civil liberties or human rights?

6. Is the product being procured likely to be controlled or prohibited by legislation in the foreseeable future?

Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’

(p.22): ‘We will encourage our suppliers and other business partners to adopt the same or similarly high standards of ethical behaviour.’

Company website: Supplier Standards
“We expect our suppliers to comply with local legislation and to meet the same or equivalent standards as BAE Systems on issues ranging from ethical conduct to health and safety and apply those standards in their own supply chains.”

We assess compliance during the supplier selection process and at regular intervals for high-risk suppliers (see Selecting and managing suppliers). If we identify any issues or gaps in their approach, we try to work with our suppliers to improve their standards. In the unlikely event that a supplier is unable or unwilling to improve their performance, we have the option of terminating their contract and preventing them from participating in future tenders.

We have guidelines to help our procurement teams to identify potential reputational and financial risks associated with suppliers and to manage them during each stage of a project’s life cycle.’

Company website: Selecting and Managing Suppliers

‘When selecting suppliers our due diligence process includes desktop research, supplier questionnaires an, in some cases site visits to assess and ensure standards are consistent with our expectations (see Supplier standards).”

All supplier contracts include clauses encouraging them to comply with our Code of Conduct or equivalent standards, but for major sub-contractors our due diligence process is more extensive.

Any potential concerns identified during this process are considered ‘red flags’ and require additional screening before we can proceed with the sub-contract. We have also developed a set of criteria to help our procurement teams to assess suppliers against our Responsible Trading Principles and anti-bribery and corruption criteria.

After selection, we continue to engage with major sub-contractors at all stages of the project lifecycle from planning through to completion.’

A13(a):
Does the company explicitly address the corruption risks associated with offset contracting?

Score:

1

Comments:
Based on public information, there is evidence that the company addresses the corruption risks associated with offset contracting at a general level. The company states that the non-financial risks of offset activities are clearly assessed and mitigated. The company therefore scores 1. To score higher the company would need to provide evidence that offset contracting corruption risks are explicitly addressed in the company’s offset policies, procedures and contractual terms.

References:
Public:
Annual Report 2013, p.78:
Corporate Responsibility Committee: ‘reviewed the Company’s offset commitments and the controls in place regarding the approval and acceptance of such commitments and their ongoing management

(p.113): ‘Industrial participation or offset is governed by the Group’s Offset Policy which sets out the standards to be followed by anyone engaged in offset activity on behalf of BAE Systems.

Customers may use offset as a discriminator as part of their procurement process and a request for offset may impact on the Group’s ability to access international markets. The underlying principles applicable to all of the Group’s offset activities are that:
– they are undertaken in accordance with the 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.’

Code of Conduct UK, 2011, p.48:
‘We have made it clear that when we are bidding for or negotiating a contract we will:
– ensure offset arrangements are consistent with the Offset Policy and comply with all export control laws and regulations’

Company website: Our response to Woolf Committee Recommendation 12 - OFFSET POLICY
‘The appointment of offset advisers is governed by our Advisers Policy. It is subject to the same due diligence and approval process as for all advisers, including review by our Business Development Adviser Compliance Panel (see our response to recommendation 11).
Our Offset Policy, revised in January 2011, requires us to ensure robust procedures are in place for assessing and committing to all offset agreements. It sets out the underlying principles applicable to all of our Offset activities:
-They must be undertaken in accordance with our Code of Conduct
-They must have clear line management ownership and executive oversight
-They must be consistent with the customer’s offset policies and proportionate to the value of related contracts
-Financial and non-financial risks must be clearly assessed and mitigated
Our Offset Policy requires that due diligence for proposed partners is undertaken. 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.
We provide briefings or training courses to employees involved in negotiating, planning, delivering or assessing offset activities.’


Company website: Offset Regulations
‘All offset arrangements are governed by our Operational Framework (including our Offset Policy) and Code of Conduct.’
‘OFFSET POLICY
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; and
-financial and non-financial risks are clearly assessed and mitigated.
GOVERNANCE
Our businesses have adequate resources 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. 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.'
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 or regulatory requirements such as the UK Bribery Act.’


Company website: Offset

‘Our Offset Policy sets out the principles we apply to all our Offset activities:

- They must be undertaken in accordance with our Code of Conduct
- They must have clear line management ownership and executive oversight
- They must be consistent with the customer’s offset policies and proportionate to the value of related contracts
- Financial and non-financial risks must be clearly assessed and mitigated.’

http://www.baesystems.com/article/BAES_051664/offset-policy

Company website: Our response to Woolf Committee Recommendation 11 - SELECTION, APPOINTMENT AND MANAGEMENT OF ADVISERS

‘We reviewed and updated our approach to selecting, appointing and managing advisers in 2007. This is now incorporated into our revised Advisers Policy which is integrated into our Operational Framework. The policy requires that:

- The company must only appoint advisers of known integrity and they must comply with our standards of conduct at all times
- The appointment process for advisers must confirm 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.

The appointment of 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) is reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. All such advisers appointed in 2010 were appointed in accordance with our global adviser policy.

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


Company website: 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.

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

http://www.baesystems.com/article/BAES_051651
A13(b):
Does the company conduct due diligence that minimises corruption risk when selecting its offset partners and offset brokers?

Score:

1

Comments:

Based on public information, there is evidence that the company conducts due diligence when selecting its offset advisers. Offset advisers go through the same due diligence process as for all advisers, including review by the company’s Business Development Adviser Compliance Panel. The company therefore scores 1. To score higher the company would need to provide evidence that it refreshes the due diligence for agents at least every 3 years, and/or when there is a significant change in the business relationship.

References:

Public:
Company website: Our response to Woolf Committee Recommendation 12 - OFFSET POLICY
‘The appointment of offset advisers is governed by our Advisers Policy. It is subject to the same due diligence and approval process as for all advisers, including review by our Business Development Adviser Compliance Panel (see our response to recommendation 11).
Our Offset Policy, revised in January 2011, requires us to ensure robust procedures are in place for assessing and committing to all offset agreements. It sets out the underlying principles applicable to all of our Offset activities:
- They must be undertaken in accordance with our Code of Conduct
- They must have clear line management ownership and executive oversight
- They must be consistent with the customer’s offset policies and proportionate to the value of related contracts
- Financial and non-financial risks must be clearly assessed and mitigated
Our Offset Policy requires that due diligence for proposed partners is undertaken. 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.
We provide briefings or training courses to employees involved in negotiating, planning, delivering or assessing offset activities.’
Company website: Our response to Woolf Committee Recommendation 11 - SELECTION, APPOINTMENT AND MANAGEMENT OF ADVISERS

'We reviewed and updated our approach to selecting, appointing and managing advisers in 2007. This is now incorporated into our revised Advisers Policy which is integrated into our Operational Framework. The policy requires that:

- The company must only appoint advisers of known integrity and they must comply with our standards of conduct at all times
- The appointment process for advisers must confirm 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.

The appointment of 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) is reviewed and assessed by our Business Development Adviser Compliance Panel, chaired by independent lawyers. All such advisers appointed in 2010 were appointed in accordance with our global adviser policy.

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

Company website: 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.

We have significantly reduced the number of advisers we use since the introduction of our revised Advisers Policy in 2007. Our Adviser policy endorses the Company's zero tolerance policy towards corruption.’
A15:
Does the company have an anti-corruption policy that prohibits corruption in its various forms?

Score:
2

Comments:
Based on public information, there is evidence that the company has an anti-corruption policy that prohibits corruption in its various forms, including the giving or receiving of bribes and facilitation payments. It also identifies potential forms of corruption such as conflicts of interest and gift and hospitality exchange.

References:
Public:
Code of Conduct UK, 2011, p.28:
‘We will not offer, give or receive bribes or inducements for any purpose whether directly or through a third party’
‘Employees, advisers, consultants, distributors, joint venture partners or anyone else who may be acting on the company’s behalf must not offer, make or receive bribes or corrupt payments. A bribe includes any payment, benefit or gift offered or given with the purpose of influencing a decision or outcome. The payment may not necessarily be of large value. It could be as simple as a lunch or an invitation to a sporting event.
We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.
Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’

(p.40): ‘Conflicts of interest
We will disclose and seek direction on any issues that may potentially conflict with our
When a conflict of interest arises it can throw doubt on your integrity. It can also have a damaging effect on the reputation of the company.

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, with examples including managing or recruiting 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. You may, however, serve on the boards of community, government, educational, civic or other non-profit organisations, provided that such participation does not interferewith your duties as an employee.

Potential conflicts of interest should be avoided or carefully managed. In all cases, you must disclose a potential or actual conflict to your line manager as soon as you become aware of it. The issue will be discussed in a straightforward manner, and be recorded and resolved as soon as practically possible.

2012 Annual Report, p.40:
‘Detailed mandatory policies and procedures, including the Group’s policies on Fraud, Facilitation Payments, Product Trading and Export Control, are also available online for employees.’

Company website: Gifts and Hospitality
‘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.

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.

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 bribes or personal inducements to obtain inappropriate advantage or benefit - or request others to do so on their behalf - for any purpose.’

http://www.baesystems.com/article/BAES_051661

Company website: Our response to Woolf Committee Recommendation 13 - FACILITATION PAYMENTS
‘Our Facilitation Payments Policy clearly states that employees must not make facilitation payments of any kind (or allow others to make them on our behalf), irrespective of whether or not these are permitted by local laws. The stand-alone policy was introduced in 2010, building on the clause on facilitation payments previously included in the Gifts & Hospitality Policy.

Under the policy, employees must decline any requests for facilitation payments and report
such requests to their local legal department.

We recognise that in some countries, the health and safety of an employee or their family members could be at risk if they do not make a payment to an official or a third party. Requests for such payment are in effect extortion; the policy contains guidance for employees on what to do if such a situation arises and makes clear that disciplinary action will not be taken if a payment is made in these circumstances as long as the payment and the nature of the situation is reported promptly.

The policy includes a commitment that we will seek to eliminate the practice of facilitation payments in the countries where we do business.’

A16:
Is the anti-corruption policy explicitly one of zero tolerance?

Score:

2

Comments:
Based on public information, there is evidence that the company has zero tolerance for corruption.

References:
Public:
Code of Conduct UK, 2011, p.28:
‘We will not offer, give or receive bribes or inducements for any purpose whether directly or through a third party’
‘Employees, advisers, consultants, distributors, joint venture partners or anyone else who may be acting on the company’s behalf must not offer, make or receive bribes or corrupt payments. A bribe includes any payment, benefit or gift offered or given with the purpose of influencing a decision or outcome. The payment may not necessarily be of large value. It could be as simple as a lunch or an invitation to a sporting event.
We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.
Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’

Company website: Advisers
‘We have significantly reduced the number of advisers we use since the introduction of our revised Advisers Policy in 2007. Our Adviser policy endorses the Company's zero tolerance policy towards corruption.’
http://www.baesystems.com/article/BAES_051651
Company website: Monitoring and Compliance

‘We take allegations of unethical behaviour very seriously. Our Code of Conduct makes clear that any failure to comply with the Code or our other policies may result in disciplinary action.’

A17: Is the company's anti-corruption policy easily accessible to Board members, employees, contracted staff and any other organisations acting with or on behalf of the company?

Score: 2

Comments: Based on public information, there is evidence that the company’s Code of Conduct is easily accessible to Board members, employees and third parties. It is provided to all new employees and is available on the company website in multiple languages.

References:
Public:
Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’.

Company website: Code of Conduct and Key Policies
Code of Conduct available in English (US & UK), Spanish, Swedish and Arabic.
http://www.baesystems.com/article/BAES_020436/code-of-conduct-and-key-policies

Company website: Our response to Woolf Committee Recommendation 2 – Openness and
transparency

‘New employees receive a copy of the Code of Conduct and introductory training during their induction period. Employees receive regular refresher training on our Code of Conduct and ethical standards.’

A17(a):

Is the company’s anti-corruption policy easily understandable and clear to Board members, employees and third parties?

Score:

2

Comments:

Based on public information, there is evidence that the company’s Code of Conduct is easily understandable and clear to Board members, employees and third parties. It is well structured and written in accessible, comprehensible language.

References:

Public:
Code of Conduct UK, 2011, p.28:
‘Our standard
We will not offer, give or receive bribes or inducements for any purpose whether directly or through a third party.

What it means to me
Even the suggestion of corruption may damage the reputation of the company and affect its ability to do business. It may also bring the personal integrity of individuals into question. Employees, advisers, consultants, distributors, joint venture partners or anyone else who may be acting on the company’s behalf must not offer, make or receive bribes or corrupt payments. A bribe includes any payment, benefit or gift offered or given with the purpose of influencing a decision or outcome. The payment may not necessarily be of large value. It could be as simple as a lunch or an invitation to a sporting event.

We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.

Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’
(p.29): ‘Practical examples

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

A. No. It is not acceptable to make personal gain out of a business transaction.

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, so as not to offend the provider?

A. You should report the gift immediately to your line manager and ask for guidance. Depending on local law, we may ask you to return the gift or seek the provider’s permission to donate it to charity.

Which policies provide more information?

Gifts and Hospitality Policy
Facilitation Payments Policy

Are there any specialists I can talk to?
Your Legal department’.
A18:

Does the anti-corruption policy explicitly apply to all employees and members of the Board?

Score: 1

Comments:

Based on public information, there is evidence that the Code of Conduct explicitly applies to all employees. However, the Code does not include a similar explicit application to Board members. The company therefore scores 1. TI notes that the company states that its leaders must demonstrate the same high standards of conduct as expected throughout the company, and Board members must complete training aimed at applying the company’s ethical standards. However, TI is looking for an explicit statement that the company’s policies also apply to the Board.

References:

Public:
Annual Report 2013, p.112:
‘The Group’s Code of Conduct sets out the principles and standards of business conduct expected of all employees. It provides them with practical guidance on how to deal with situations that may arise in their day-to-day activities. Guidance is also included on where employees can seek further advice.’

Code of Conduct UK, 2011, p.9:
‘The company commits that its leaders will: – demonstrate the same high standards of conduct as expected throughout the company’
‘As such, the Code sets the standard that every employee is expected to meet.’

(p.10): ‘Who does the Code of Conduct apply to?
This Code applies to and is mandated for all employees. All of us, wherever we work, must behave in accordance with these standards when dealing with fellow employees, customers, suppliers, contractors, stakeholders and competitors. When appropriate, businesses should provide a copy of the Code to non-BAE Systems employees who work on our sites and ask that they comply with our standards and principles.’
Company website: Meeting High Ethical Standards
‘Our global Code of Conduct (the “Code”) sets clear expectations for our ethical standards and helps us embed a culture of responsible behaviour throughout the company. The Code and is applicable to all employees, whatever their role or location, and includes those in majority held entities. It also applies to those engaged to act on behalf of the company, such as Advisers. The Code includes practical guidance to help employees deal with important ethical issues and indicates where to ask for help. Any concerns that employees do not feel comfortable talking to their managers or relevant function about can be reported via our Ethics Helpline, or by contacting their local Ethics Officer. All employees, including Executive Committee and Board Members, are required to complete regular refresher training aimed at understanding and applying the standards, with all new employees undergoing training as part of the induction programme. We actively encourage minority held entities and suppliers to apply standards similar to our own.’

A20:
Does the company have a policy on potential conflicts of interest, and does it apply to both employees and board members?

Score:

2

Comments:
Based on public information, there is evidence that the company has a policy on conflicts of interest. The policy is clearly written and includes a definition and examples of potential conflicts of interest. Board members have a separate policy on potential conflicts of interest.

References:
Public:
Annual Report 2013, p.122:
‘As permitted under the Companies Act 2006, the Company’s Articles of Association contain provisions which enable the Board to authorise conflicts or potential conflicts that individual directors may have.

To avoid potential conflicts of interest the Board requires the Nominations Committee to check that any individuals it nominees for appointment to the Board are free of potential conflicts. In addition, the Board’s procedures and the induction programme for new directors emphasise a director’s personal responsibility for complying with the duties relating to conflicts of interest. The procedure adopted by the Board for the authorisation of conflicts reminds directors of the need to consider their duties as directors and not grant an authorisation unless they believe, in good faith, that this would be likely to promote the success of the Company. As required by law, the potentially conflicted director cannot vote on an authorisation resolution or be counted in the quorum. Any authorisation granted may be terminated at any time and the director is informed of the obligation to inform the Company without delay should there be any material change in the nature of the conflict or potential conflict so authorised. The Nominations Committee has been asked to review on an annual basis any authorisations granted and to make recommendations to the Board as appropriate.’

Code of Conduct UK, 2011, p.40:
‘Conflicts of interest
We will disclose and seek direction on any issues that may potentially conflict with our...
responsibilities to the company. When a conflict of interest arises it can throw doubt on your integrity. It can also have a damaging effect on the reputation of the company.

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, with examples including managing or recruiting 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. You may, however, serve on the boards of community, government, educational, civic or other non-profit organisations, provided that such participation does not interfere with your duties as an employee.

Potential conflicts of interest should be avoided or carefully managed. In all cases, you must disclose a potential or actual conflict to your line manager as soon as you become aware of it. The issue will be discussed in a straightforward manner, and be recorded and resolved as soon as practically possible.’

(p.41): ‘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 Human Resources department or your line manager.
Q. My neighbour wants me to see if there is a job placement / graduate opening for his daughter and whether I can ‘pull any strings’.
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 recruitment of that individual as it would be a conflict of interest.

Which policies provide more information?
Conflict of Interest Policy
People Policy

Are there any specialists I can talk to?
Your Human Resources department
Your Legal department’

Company website: Conflicts of Interest
‘Our Conflicts of Interest policy concerns situations where competing interests may conflict and impair the ability of employees to make objective and unbiased decisions. Our 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.’
http://www.baesystems.com/article/BAES_051658
A21:
Does the company have a policy for the giving and receipt of gifts to ensure that such transactions are bona fide and not a subterfuge for bribery?

Score:

2

Comments:
Based on public information, there is evidence that the company has a policy that regulates the giving and receipt of gifts. Employees must ensure that gifts are reasonable and proportionate, and follow set upper limits. Gifts over £25 in value must only be given or received if they are approved in advance by a senior manager and recorded in the gifts and hospitality register. Gifts over £250 in value must only be offered, given or received in exceptional circumstances.

References:

Public:
Code of Conduct UK, 2011, p.28:
‘We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.
Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’

(p.29): ‘Practical examples
Q. I regularly organise conferences for the company. I was recently offered a free luxury weekend in a hotel which was competing for our business. Am I allowed to accept it?
A. No. It is not acceptable to make personal gain out of a business transaction.
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, so as not to offend the provider?
A. You should report the gift immediately to your line manager and ask for guidance. Depending on local law, we may ask you to return the gift or seek the provider’s permission to donate it to charity.

Which policies provide more information?
Gifts and Hospitality Policy
Facilitation Payments Policy

Are there any specialists I can talk to?
Your Legal department.’

Company website: Gifts and Hospitality
‘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.

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.

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 bribes or personal inducements to obtain inappropriate advantage or benefit - or request others to do so on their behalf - for any purpose.’

http://www.baesystems.com/article/BAES_051661

Company website: Our response to Woolf Committee Recommendation 14 - GIFTS, HOSPITALITY AND DONATIONS
‘Our Gifts and Hospitality Policy, sets out clear requirements for employees to ensure that gifts and hospitality are open, proportionate, in good faith, lawful, and not connected in any way to obtaining inappropriate advantage or benefit. In accordance with the policy, gifts over £25 (or US$50) and hospitality over £50 (or US$100) in value must only be offered, given or received if they are justifiable, approved in advance by a senior manager and recorded in the gifts and hospitality register. Gifts or hospitality over £250 (or US$500) in value must only be offered, given or received in exceptional circumstances.

We have developed Gifts and Hospitality Guidance to help employees understand how to apply our policy. Compliance is monitored through our Operational Assurance Statement process.’

http://www.baesystems.com/article/BAES_020643/recommendation-14
A22:
Does the company’s anti-corruption policy include a statement on the giving and receipt of hospitality that ensures that such transactions are bona fide and not a subterfuge for bribery?

Score:
2

Comments:
Based on public information, there is evidence that the company has a policy that regulates the giving and receipt of hospitality. Employees must ensure that hospitality is reasonable and proportionate, and follow set upper limits. Hospitality over £50 in value must only be given or received if they are approved in advance by a senior manager and recorded in the gifts and hospitality register. Hospitality over £250 in value must only be offered, given or received in exceptional circumstances.

References:
Public:
Code of Conduct UK, 2011, p.28:
‘We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.
Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’

(p.29): ‘Practical examples
Q. I regularly organise conferences for the company. I was recently offered a free luxury weekend in a hotel which was competing for our business. Am I allowed to accept it?
A. No. It is not acceptable to make personal gain out of a business transaction.
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, so as not to offend the provider?

A. You should report the gift immediately to your line manager and ask for guidance. Depending on local law, we may ask you to return the gift or seek the provider’s permission to donate it to charity.

Which policies provide more information?

Gifts and Hospitality Policy
Facilitation Payments Policy

Are there any specialists I can talk to?

Your Legal department’

Company website: Gifts and Hospitality

‘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.

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.

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 bribes or personal inducements to obtain inappropriate advantage or benefit - or request others to do so on their behalf - for any purpose.’

http://www.baesystems.com/article/BAES_051661

Company website: Our response to Woolf Committee Recommendation 14 - GIFTS, HOSPITALITY AND DONATIONS

‘Our Gifts and Hospitality Policy, sets out clear requirements for employees to ensure that gifts and hospitality are open, proportionate, in good faith, lawful, and not connected in any way to obtaining inappropriate advantage or benefit. In accordance with the policy, gifts over £25 (or US$50) and hospitality over £50 (or US$100) in value must only be offered, given or received if they are justifiable, approved in advance by a senior manager and recorded in the gifts and hospitality register. Gifts or hospitality over £250 (or US$500) in value must only be offered, given or received in exceptional circumstances.

We have developed Gifts and Hospitality Guidance to help employees understand how to apply our policy. Compliance is monitored through our Operational Assurance Statement process.’

http://www.baesystems.com/article/BAES_020643/recommendation-14
A23: Does the company have a policy that explicitly prohibits facilitation payments?

Score: 2

Comments: Based on public information, there is evidence that the company has a policy that prohibits facilitation payments. However, it allows for facilitation payments to be made in situations where an employee’s safety may be at risk. Employees must report any facilitation payments or requests for facilitation payments to the Legal Department.

References:
Public: Code of Conduct UK, 2011, p.52:
‘Our standard
We will not make facilitation payments and will seek to eliminate the practice in countries in which we do business.
What it means to me
A facilitation payment is a payment or gift given (usually to a government official) to speed up a procedure or to encourage one to be performed. It does not include fees required to be made by law such as the payment of a filing fee for a legal document. The company’s position on such payments is clear. We will:
– not make facilitation payments
– not allow others to make them on our behalf
– report any requests to make facilitation payments
– take action to combat the practice of facilitation payments
We recognise that in some countries, an employee’s own welfare and safety could be at risk if they do not make a facilitation payment. If you find yourself in this situation, you should never put yourself in danger. Make the payment and report it promptly to your line 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 belief that they will be at risk if they do not do so.’
Q. I was informed that I could hire a local company or consultant to help get all the necessary permits from a foreign government. An advance payment has been requested to ‘help move the process along’. Since we don’t really know where the money is going, do we have to worry about it?

A. Yes. We are responsible for the actions of any third party working on our behalf. The request for an advance payment is itself a red flag and the comment made about the payment even more so. Consult with your Legal department before proceeding.

Q. While on business travel abroad I was asked by a Customs Official to make a cash payment in addition to the cost of my ticket. This didn’t appear to be an official service. Although I opted not to pay, is there further action I need to take?

A. Yes. Even if you decline what appears to be a facilitation payment, you should report the request to your Legal department.

Which policies provide more information?
- Facilitation Payments Policy
- Advisers Policy
- Gifts and Hospitality Policy

Are there any specialists I can talk to?
- Chief Counsel, Compliance and Regulation, BAE Systems plc
- Associate General Counsel, International and Domestic Compliance, BAE Systems Inc
- Your Legal department’.

Company website: Facilitation Payments
‘Our Facilitation Payments policy requires that:
-Our employees must not make facilitation payments of any kind or allow others to make them on behalf of BAE Systems
-Any requests for facilitation payments must be declined and reported to our Legal Departments’.
http://www.baesystems.com/article/BAES_051660

Company website: Our response to Woolf Committee Recommendation 13 - FACILITATION PAYMENTS
‘Our Facilitation Payments Policy clearly states that employees must not make facilitation payments of any kind (or allow others to make them on our behalf), irrespective of whether or not these are permitted by local laws. The stand-alone policy was introduced in 2010, building on the clause on facilitation payments previously included in the Gifts & Hospitality Policy.

Under the policy, employees must decline any requests for facilitation payments and report such requests to their local legal department.

We recognise that in some countries, the health and safety of an employee or their family members could be at risk if they do not make a payment to an official or a third party.
Requests for such payment are in effect extortion; the policy contains guidance for employees on what to do if such a situation arises and makes clear that disciplinary action will not be taken if a payment is made in these circumstances as long as the payment and the nature of the situation is reported promptly.

The policy includes a commitment that we will seek to eliminate the practice of facilitation payments in the countries where we do business.’

A24:

Does the company prohibit political contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent? Does the company record and publicly disclose all political contributions?

Score:

2

Comments:

Based on public information, there is evidence that the company prohibits political contributions. Company funds may not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations.

References:

Public:

Annual Report 2013, p.113:

‘The Lobbying and Political Support Policy sets out the standards to be followed by anyone engaged in lobbying or other political engagement on behalf of BAE Systems, including those from outside the business.

The principles underpinning this policy are:

– 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 the Company’s business;

– anyone engaged in lobbying activities on behalf of BAE Systems conducts themselves in a way that conforms with the Company’s standards of responsible business conduct; and

– BAE Systems does not make corporate contributions or donations to political parties.’

Code of Conduct UK, 2011, p.58:

‘We will not make political payments. We will be open about our lobbying activities.’

‘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 may not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations.
– we will not use charitable donations as a substitute for political payments

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 and the communities in which we operate, including through lobbying. 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
– consult with management before any contact is made with government officials or employees

Practical example

Q. I don’t have any contact with government officials, but I 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. It’s best to ask your line manager if there are special requirements or consult your Legal department if you are in doubt.

Which policies provide more information?
Lobbying and Political Support Policy
Are there any specialists I can talk to?
Your Legal department
Your Government Relations department’.

Company website: Lobbying and Political Support
‘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 USA federal laws and regulations.’
http://www.baesystems.com/article/BAES_051663

Company website: Lobbying and Political Support
‘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.’
http://www.baesystems.com/article/BAES_020423/lobbying
Company website: Our response to Woolf Committee Recommendation 17 - GOVERNMENT RELATIONS AND LOBBYING

‘We engage in lobbying activities to communicate with, and inform, legislators and government decision-makers on matters relating to our business. Our Lobbying & Political Support Policy states that BAE Systems will not make any corporate political contributions or donations and requires that all lobbying be consistent with our ethical principles and standards as defined in the Code of Conduct.’

http://www.baesystems.com/article/BAES_020647/recommendation-17
A25:
Does the company have a clear policy on engagement in lobbying activities, in order to prevent undue influence or other corrupt intent, and discloses the issues on which the company lobbies?

Score:
1

Comments:
Based on public information, there is evidence that the company has a policy on engagement in lobbying activities. Any employee who lobbies must comply with applicable laws and internal policy, and consult with management before any contact is made with government officials or employees. External lobbyists must be appointed in accordance with the company’s Advisors Policy, with the exception of certain domestic lobbyists in the US, who are subject to separate legislative controls. The Group Business Development Director submits an annual report to the Corporate Responsibility Committee which outlines the company’s lobbying activities. The company therefore scores 1. To score higher the company would need to provide evidence that it publically discloses the issues on which it lobbies.

References:
Public:
Annual Report 2013, p.113:
‘The Lobbying and Political Support Policy sets out the standards to be followed by anyone engaged in lobbying or other political engagement on behalf of BAE Systems, including those from outside the business.
The principles underpinning this policy are:
– 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 the Company’s business;
– anyone engaged in lobbying activities on behalf of BAE Systems conducts themselves in a way that conforms with the Company’s standards of responsible business conduct; and
– BAE Systems does not make corporate contributions or donations to political parties.’

Code of Conduct UK, 2011, p.58:
‘We will not make political payments. We will be open about our lobbying activities.’

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 may not be used to contribute to any political campaign, political party, political candidate or any of their affiliated organisations
– we will not use charitable donations as a substitute for political payments

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 and the communities in which we operate, including through lobbying. 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
– consult with management before any contact is made with government officials or employees

Practical example
Q. I don’t have any contact with government officials, but I 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. It’s best to ask your line manager if there are special requirements or consult your Legal department if you are in doubt.

Which policies provide more information?
Lobbying and Political Support Policy
Are there any specialists I can talk to?
Your Legal department
Your Government Relations department.’

Company website: Lobbying and Political Support
‘Lobbying activity carried out at the senior government and political level must be recorded in line with our Lobbying and Political support 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
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 USA federal laws and regulations.

http://www.baesystems.com/article/BAES_051663

Company website: Our response to Woolf Committee Recommendation 17 - GOVERNMENT RELATIONS AND LOBBYING

‘We engage in lobbying activities to communicate with, and inform, legislators and government decision-makers on matters relating to our business. Our Lobbying & Political Support Policy states that BAE Systems will not make any corporate political contributions or donations and requires that all lobbying be consistent with our ethical principles and standards as defined in the Code of Conduct.

The Group Business Development Director submits an annual report to the Corporate Responsibility Committee which outlines: the issues on which the company has lobbied and campaigned; who has undertaken this activity including employees and any third parties; the bodies which have been lobbied; the cost of lobbying activity; and the activity of the BAE Systems Inc. Political Action Committee (to which eligible Inc. employees can contribute).

In some cases, we commission third parties to lobby on our behalf. External lobbyists must be appointed in accordance with our Advisors Policy (see our response to recommendation 11) with the exception of certain domestic lobbyists in the US, who are subject to separate legislative controls.

Individuals engaged in lobbying or political support activities are briefed on and are required to comply with our Code of Conduct.’

http://www.baesystems.com/article/BAES_020647/recommendation-17

Company website: Lobbying and Political Support

‘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.

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.

In the defence and security industry, lobbying is often closely related to acquisitions because governments and their agencies are the direct customers for our products and...
services. 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. We also consider business development activities which seek to demonstrate why our solution is the right one to be lobbying. 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 the UK, the US 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 Lobbying and Political support policy and with any national legislative or regulatory requirements in each market. 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.’

A25(a):
Does the company prohibit charitable contributions, or regulate such contributions in order to prevent undue influence or other corrupt intent?

Score:

2

Comments:
Based on public information, there is evidence that the company regulates charitable contributions, in order to prevent undue influence or other corrupt intent. Charitable contributions must be in accordance with the Code of Conduct, not be paid to third-party fundraisers or directly to individuals, and not place existing business partners under any obligations. Additionally, organisations set to receive charitable contributions must be vetted through a recognized organisation to ensure that contributions will be used for charitable purposes. All company charitable contributions must be reported to the Executive Committee via the Company Giving Committee which oversees these activities. A list of recipients of charitable contributions for 2013, are declared in the 2013 Annual Report.

References:
Public:
Annual Report 2013, p.119:
‘BAE Systems is committed to effecting change. This commitment is demonstrated through work with local and national organisations with an objective to make a difference in the communities in which the Group operates. BAE Systems’ Global Community Investment Strategy is defined through the support it provides both financial and through volunteering. BAE Systems aims to align its resources in support of primary areas of focus – the needs of the Group’s customers, education and skills, heritage and the communities in which the Group operates.

As BAE Systems is a global company, each of its key markets has also created its own strategy in support of the Global Community Investment Strategy which is relevant to specific local issues, charitable needs and culture.

Globally, the Group and its employees through the Community Investment programme contributed over £10m* during 2013 to local, national and international charities and not-for-profit organisations, including:

— £1.0m given to the UK Defence and National Rehabilitation Centre;
As of 10/11/14, BAE Systems PLC committed £4.5m to armed forces charities, including Soldiers, Sailors, Airmen and Families Association (SSAFA), the Royal Navy and Royal Marines Charity and the United Service Organizations (USO); and £2.5m donated to education charities and programmes, including:

- the Queen Elizabeth Prize for Engineering and The Prince’s Trust in the UK;
- the National Math and Science Initiative in the US; and
- FIRST (Foundation for Inspiration and Recognition of Science and Technology) in Australia.

The support we give to charities and communities around our sites is important to our business. It improves knowledge and awareness of our company, enables employees to gain valuable experience and helps create a sense of community. We actively contribute to the well-being of our local communities by providing education, skills workshops and careers advice in local schools and universities and by participating in community projects. Every employee can contribute to their local community in different ways, such as volunteering in local schools or participating in fundraising or volunteering events through the company’s community programmes. To represent the company in a charitable activity, you should firstly obtain approval from your line manager and consult your Charity Challenge site co-ordinator regarding legal, financial, and health and safety requirements. When participating in Charity Challenge on behalf of the company, the amount of time you give and the money you raise will be properly accounted for through our Charity Challenge scheme.

(p.54): ‘We will support, sponsor and contribute to the activities of other organisations where the activities are aligned with our own business objectives and values, and will enhance the reputation of the company.’

We contribute to charities and good causes through sponsorship and donations and by providing materials. Our particular focus is on those organisations which support the Armed Forces and their families, or those which are working to engage young people and educational groups especially in the areas of science, engineering and technology. 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 Services. We encourage our employees to give their time as volunteers to these causes. When making sponsorship commitments, charitable donations or promises of ‘in-kind’ support – such as company materials or resources – prior approval is required. All requests for sponsorship and charitable donations must be referred to your Communications department to ensure that they meet our sponsorship and charitable giving criteria.

(p.55): ‘Which policies provide more information?’

Company Giving Policy
Are there any specialists I can talk to?
Your Communications department.

Company website: Company giving
‘Charitable and not-for-profit organisations must be vetted through a recognised organisation to ensure that the donation will be used for charitable purposes.
Support, sponsorship and contributions to the activities of other organisations must:
- Be in accordance with our Code of Conduct
- Support the requirements of charities and other not-for-profit organisations
- Enhance the company’s reputation
- Not be paid to third-party fundraisers or directly to individuals
- Not place or appear to place existing customers, potential customers, suppliers or government officials under any obligations.
All company giving activities must be reported to the Executive Committee via the Company Giving Committee which oversees these activities. The Managing Director Corporate Responsibility is required to provide a report to the Corporate Responsibility Committee of the Board.’

http://www.baesystems.com/article/BAES_051656

Company website: Our response to Woolf Committee Recommendation 14 - GIFTS, HOSPITALITY AND DONATIONS
‘Our Company Giving Policy provides guidance on all donations, including support for registered charities, as well as sponsorships of customer-focused and stakeholder events and activities. This states that BAE Systems shall support, sponsor and contribute to the activities of other organisations where the activities are aligned with our principles of responsible business conduct.
Corporate donations are reported to the Corporate Responsibility Committee. Charitable donations data is published in our Annual Report (view 2010 data). We plan to make 2011 data available to view in our 2011 Annual Report.’

http://www.baesystems.com/article/BAES_020811

‘Charities, schools and not-for-profit organisations make a hugely valuable contribution to society. We support their work through donations and sponsorships, by encouraging employees to share their time and expertise as volunteers and by supporting employee fundraising.’
A26:
Does the company provide written guidance to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda?

Score:

2

Comments:
Based on public information, there is evidence that the company provides written guidance, to help Board members and employees understand and implement the firm’s ethics and anti-corruption agenda. The Code of Conduct contains short question and answer sections. Similarly, training material that contains several applicable scenarios is permanently available on the company’s website, along with corresponding videos.

References:
Public:
Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’.

(p.28): ‘We will not offer, give or receive bribes or inducements for any purpose whether directly or through a third party’
‘Employees, advisers, consultants, distributors, joint venture partners or anyone else who
may be acting on the company’s behalf must not offer, make or receive bribes or corrupt payments. A bribe includes any payment, benefit or gift offered or given with the purpose of influencing a decision or outcome. The payment may not necessarily be of large value. It could be as simple as a lunch or an invitation to a sporting event.

We will not offer, give or receive any payment, benefit or gift which is intended or may be construed as a bribe. We are each 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.

Always seek guidance and approval before accepting or giving any gift or hospitality. Accepting gifts and hospitality greater than certain values, as defined in our policy, must be formally recorded in a gift register. This ensures that we are transparent and that neither you, nor the company, can be accused of misconduct.’

(p.40): ‘Conflicts of interest
We will disclose and seek direction on any issues that may potentially conflict with our responsibilities to the company.

When a conflict of interest arises it can throw doubt on your integrity. It can also have a damaging effect on the reputation of the company.

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, with examples including managing or recruiting 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. You may, however, serve on the boards of community, government, educational, civic or other non-profit organisations, provided that such participation does not interfere with your duties as an employee.

Potential conflicts of interest should be avoided or carefully managed. In all cases, you must disclose a potential or actual conflict to your line manager as soon as you become aware of it. The issue will be discussed in a straightforward manner, and be recorded and resolved as soon as practically possible.’

(p.41): ‘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 Human Resources department or your line manager.

Q. My neighbour wants me to see if there is a job placement / graduate opening for his daughter and whether I can ‘pull any strings’.
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 recruitment of that individual as it would be a conflict of interest.

Which policies provide more information?
Conflict of Interest Policy

People Policy
Are there any specialists I can talk to?
Your Human Resources department
Your Legal department’.

Ethics Training Facilitators booklet (2014), p.14:
‘Employee

Scene 1: Steve is talking with Jack about helping him arrange a golfing trip for the DriveDeep customer as Paul their manager said it would be a good idea. Jack agrees to help out, as his brother-in-law is a member of the new private club. Later in the day, Jack is talking with Seeta about helping Steve arrange the golfing trip. Seeta is surprised as he thought that approval would be needed and that the DriveDeep team is affiliated with their country’s government. Steve is looking for Jack to thank him about his help with the golfing trip, as they all had a great time. Jack said that he was surprised it was approved under the Gifts and Hospitality policy. Steve is shocked as he had never even thought about the policy as he just did what Paul asked him to do.

Topic: Gifts and Hospitality, Intimidation

Potential Issues:
- The approval was not sought, whose responsibility was that?
- Steve felt that he needed to make this happen and made assumptions about what others had done. Was he right in doing “just as he was told”?
- Possible conflict of interest with Jack making arrangements through his brother-in-law
- Steve made no mention of perhaps “being able to get around it”
- Jack didn’t speak up when he should have done and Seeta, though not party to the event, could and should have been more encouraging to ensure that Steve did raise the concern/seek guidance

Overall Key Points: Things to consider
- Both Steve and Jack knew that certain things needed to be done and incorrectly assumed someone else had done them, without checking or asking
- All employees are responsible for being aware of and holding themselves and others accountable to our policies. In this kind of situation, it means raising concerns or questions when we are unsure
- The Company will always support employees who report concerns honestly and in good faith, with no tolerance for retaliation
- Offering or giving any benefit to anyone may be construed as a bribe, whether customer, supplier or partner. Steve and Jack are responsible for knowing what their business guidance allows as well as ensuring that an offer does not put the potential receiver in violation of their own organisation’s policies

What actually happened?
In the real case, the issue was discovered after the expense report was submitted. It was
also found during the course of the investigation that the expense report was not accurate and contained a number of discrepancies. It was determined that the expense report was unallowable and not reimbursed. The employees were left to pay for the hospitality out of their own pockets. Both the manager and employee received final written warnings through the disciplinary process.

Policy Reference:
- Gifts and Hospitality Policy
- People Policy’.

(p.15): ‘Supervisor/People Manager

Scene 1: In a meeting Paul, the Programme Manager, is discussing the new DriveDeep project and that the customer is visiting for acceptance testing and training. Paul wants to make a good impression with them and tells Steve that he would like him to take the lead and arrange some entertainment for them and that he needs to “make it happen”. Steve agrees to do this. Paul then asks Steve about the progress on temporary phones for the customer. Steve explains that this was not approved as per the policy. Paul is frustrated and can’t believe it. Steve is left feeling like he failed. Later on in the week, Paul and Steve are in a meeting. Paul is congratulating Steve on a great job with a golfing trip that he had organised as entertainment for the customer and said that there “might be something in it” for Steve. Steve then tells Paul that although it went really well the approval request had been rejected. He hadn’t thought about that before the event, as he didn’t want to disappoint Paul again. Paul is amazed and quickly says that he didn’t say not to follow policy and asks if he needs to do everything himself. Steve is unsure what to do next.

Topic: Gifts and Hospitality, Intimidation

Potential Issues:
- Paul, in the way that he communicated with Steve and the language that he used, such as “make it happen” led Steve to believe that he was under pressure to succeed and had Paul’s permission to do whatever it took. How should Paul have handled it?
- Paul’s reaction to the bad news about the mobile phones left Steve feeling that he had failed, even though he had done the right thing. How should he have responded?
- Steve believes that he did exactly what he was asked to do about the entertainment and so doesn’t think that he did anything wrong – did he?

Overall Key Points: Things to consider
- As a Manager Paul is responsible for setting a tone of respect for the company’s policies and procedures – using directing language without ensuring understanding can lead to misinterpretation and mis-understanding
- Paul also has to show leadership by being open to bad news as well as good and by helping Steve work towards a solution to the problem they face
- Offering or giving any benefit to anyone may be construed as a bribe, whether customer, supplier or partner. Steve and Jack are responsible for knowing what their business guidance allows as well as ensuring that an offer does not put the potential receiver in violation of their own organisation’s policies
- Guidance and approval should have been sought before arranging the event – who was
What actually happened?

In the real case, the issue was discovered after the expense report was submitted. It was also found during the course of the investigation that the expense report was not accurate and contained a number of discrepancies. It was determined that the expense report was unallowable and not reimbursed. The employees were left to pay for the hospitality out of their own pockets. Both the manager and employee received written warnings.

Policy Reference:
- Gifts and Hospitality Policy
- People Policy’.

(p.18): ‘Employee

Scene 1: Jane, a Supervisor, is having her regular status meeting by phone with Catherine her Manager. Jane mentions that she is having a performance issue with one of the team members, Richard. She has heard that he is constantly coming in late, sometimes half a day late without her knowing and that other team members have to pick up his work. Jane says that she is going to do a surprise visit the following week. When Jane arrives on site early the following week she is surprised to see Richard at his desk. Later that day, during a meeting that Jane has with Sophie, another of her team members, Sophie mentions that Richard and Catherine may be in a relationship. Jane had no idea.

Topic: Conflicts of Interest, Respect of Others

Potential Issues:
- Catherine’s alleged relationship with Richard could be a conflict of interest given they are in the same reporting line
- For whatever his reasons are for his lateness, it means that others are having to cover his work
- Sophie might be spreading a malicious rumour rather than fact out of resentment
- There is a performance issue with Richard’s lateness and him not informing his manager of when and the reasons why

Overall Key Points: Things to consider
- Where employees are aware that the behaviours of others are not acceptable and they impact others, they should be reporting it rather than covering it up – even with good intent
- When receiving information that is possible hearsay it is important not to react to it as if it were fact
- The Company will always support employees who report concerns honestly and in good faith, with no tolerance for retaliation

What actually happened?

During the course of the investigation the parties lied, tried to destroy evidence and collaborated in fabricating a story to explain the evidence. As a result both the Manager and the employee were dismissed. It is important to note that the relationship between the Manager and the employee, had it been declared, it could have been managed and resolved as a conflict of interest without becoming a major issue. But it was their actions when they
were confronted that caused their dismissal.

Policy Reference:
- Conflicts of interest Policy
- People Policy’.

(p.19): ‘Supervisor/People Manager

Scene 1: Jane, a Supervisor, meets with Gordon, also a Supervisor, to talk to him about one of her team members, Richard. She has been having some attendance and performance issues with Richard and says that she has heard from other employees that they cover his work when he isn’t there. There is also suggestion that he is in a romantic relationship with Catherine, their own Manager. Jane is concerned that Catherine may be ignoring the performance issue when she mentions it. Jane, starting early, made a surprise visit to the site and unexpectedly found Richard was there already and stayed late that day too. Jane is suspicious that Catherine tipped off Richard about her visit. What should she do? Gordon says that Jane should speak with Catherine directly. Jane said that she tried that and Catherine didn’t deny the relationship and said that she wasn’t doing anything wrong; lots of staff have relationships, apparently.

Topic: Conflicts of Interest, Respect of Others

Potential Issues:
- At the moment Jane only has hearsay about the relationship, Catherine’s non-denial is not admission
- If there is a relationship it could be seen by others that Richard is receiving favouritism because of a relationship with Catherine
- If there is a relationship then how can Jane get the support she needs to effectively manage the performance issues?
- What information does Jane need about Richard’s attendance and how can she get it?

Overall Key Points: Things to consider
- When receiving information that is possible hearsay or gossip it is important not to react to it as if it were fact
- It is possible that the relationship story is just that – borne out of perception and resentment of his colleagues for the fact that Richard appears to be getting away with it – so he must therefore be receiving favouritism
- When a relationship does start in the workplace, who is responsible for declaring/reporting it?

Differentiating and defining the issues is important so that they can be dealt with separately – but in what order and by whom?

What actually happened?
During the course of the investigation the parties lied, tried to destroy evidence and collaborated in fabricating a story to explain the evidence. As a result both the Manager and the employee were dismissed. It is important to note that if the relationship between the Manager and the employee, had been declared, it could have been managed and resolved as a conflict of interest without becoming a major issue. But it was their actions when they
were confronted that caused their dismissal.
Policy Reference:
- Conflicts of interest Policy
- People Policy’.

Ethics Training Facilitators inserts

**SCENARIO 3**

It's Just Golf – Employee

Jack and Steve are talking in the corridor – Jack talking with Soeta

**SCENARIO 3**

It's Just Golf – Supervisor/People Manager

Paul’s team meeting
Company website: 2014 Ethics Training
Links to videos of the training scenarios.
http://www.baesystems.com/ethicstraining2014
A27:
Does the company have a training programme that explicitly covers anti-corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company has an explicit anti-corruption training module, as part of its ethics and compliance training programme. The company’s Essential Training Framework contains an anti-bribery and corruption module, a facilitation payments and conflicts of interest module, a gifts and hospitality module, and an adviser module. However, evidence suggests that these anti-corruption modules are only provided to executive employees.

References:
Public:
Annual Report 2013, p.112:
‘The Code of Conduct and related policies are supported by regular mandatory training for all employees. During 2013, the Group provided export control training for all senior employees, which explained the standards required on export control and International Traffic in Arms Regulations. Senior executives and business leaders completed further training on the Advisers, Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest mandated policies in the Operational Framework.’
‘All employees will participate in Code of Conduct refresher training in 2014. This will be developed to address current key issues, such as the use of social media and security of information.’

Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements

BAE SYSTEMS PLC 10/11/14
WWW.BAESYSTEMS.COM
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’.

Company website: 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 2013 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, Company Giving, and Conflicts of Interest. See below.

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.’

Ethics Training Facilitators booklet (2014), p.4:
‘Welcome to “Responsible Behaviour – Speaking up for what’s right”, the 2014 Code of Conduct refresher training, which is required to be taken by all employees.’

(p.7): ‘This training is mandatory for all employees and it is important to record the

BAE SYSTEMS PLC 10/11/14
WWW.BAESYSTEMS.COM
(pp.8-9): Scenario ‘It’s Just Golf’ relates to ‘Gifts & Hospitality and Intimidation’. Scenario ‘Surprise Visit’ relates to ‘Conflicts of Interest and Respect of Others’.

Company website: Meeting High Ethical Standards

‘Our global Code of Conduct (the “Code”) sets clear expectations for our ethical standards and helps us embed a culture of responsible behaviour throughout the company. The Code and is applicable to all employees, whatever their role or location, and includes those in majority held entities. It also applies to those engaged to act on behalf of the company, such as Advisers. The Code includes practical guidance to help employees deal with important ethical issues and indicates where to ask for help. Any concerns that employees do not feel comfortable talking to their managers or relevant function about can be reported via our Ethics Helpline, or by contacting their local Ethics Officer. All employees, including Executive Committee and Board Members, are required to complete regular refresher training aimed at understanding and applying the standards, with all new employees undergoing training as part of the induction programme. We actively encourage minority held entities and suppliers to apply standards similar to our own.’


Company website: Our response to Woolf Committee Recommendation 2 OPENNESS AND TRANSPARENCY

‘New employees receive a copy of the Code of Conduct and introductory training during their induction period. Employees receive regular refresher training on our Code of Conduct and ethical standards.’


Company website: Our response to Woolf Committee Recommendation 20 - TRAINING

‘To support the approach for regular training, refresher training on the Code and our ethical standards has been rolled out. For most employees through face-to-face sessions led by managers. These sessions included a team discussion exploring potential ethical dilemmas employees could face in their work. An e-learning option was available for those working remotely to ensure that training reaches everyone in the company.

In addition to the Code of Conduct training, specific training modules have also been introduced for senior executives and business leaders. For example, executives, other than those based in our Inc. business are required to complete the Group’s Integrity in Business Dealing training, an online course covering our policies on Gifts and Hospitality, Facilitation Payments, Company Giving and Conflicts of Interest.’


Annual Report 2013, p.63:
‘2013 priorities
Ethics and governance
Continue to improve and evolve the Group’s business conduct programme.

2013 progress
- Network of Ethics Officers established across all operations.
- Training provided for all senior employees on export control procedures, and anti-bribery and corruption.
- Employee survey confirmed that the senior leadership of the Group is committed to ethical business practices and conduct.

2014 priorities
- Continue to improve and evolve the Group’s business conduct programme.
- Undertake external assessment of ethical culture and environment.’

Ethics Training Facilitators inserts:

Company website: 2014 Ethics Training
Links to videos of the training scenarios.
http://www.baesystems.com/ethicstraining2014
A28:
Is anti-corruption training provided in all countries where the company operates or has company sites?

Score:
2

Comments:
Based on public information, there is evidence that training on the Code of Conduct, which includes an anti-corruption policy, is mandatory for all employees. This training programme includes a gift and hospitality section and a conflicts of interest section.

References:
Public:
Annual Report 2013, p.112:
‘The Code of Conduct and related policies are supported by regular mandatory training for all employees. During 2013, the Group provided export control training for all senior employees, which explained the standards required on export control and International Traffic in Arms Regulations. Senior executives and business leaders completed further training on the Advisers, Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest mandated policies in the Operational Framework.’
‘All employees will participate in Code of Conduct refresher training in 2014. This will be developed to address current key issues, such as the use of social media and security of information.’

Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise

BAE SYSTEMS PLC 10/11/14
WWW.BAESYSTEMS.COM
ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’

Company website: 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 2013 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, Company Giving, and Conflicts of Interest. See below.

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.’
Company website: Meeting High Ethical Standards

Our global Code of Conduct (the “Code”) sets clear expectations for our ethical standards and helps us embed a culture of responsible behaviour throughout the company. The Code and is applicable to all employees, whatever their role or location, and includes those in majority held entities. It also applies to those engaged to act on behalf of the company, such
as Advisers. The Code includes practical guidance to help employees deal with important ethical issues and indicates where to ask for help. Any concerns that employees do not feel comfortable talking to their managers or relevant function about can be reported via our Ethics Helpline, or by contacting their local Ethics Officer. All employees, including Executive Committee and Board Members, are required to complete regular refresher training aimed at understanding and applying the standards, with all new employees undergoing training as part of the induction programme. We actively encourage minority held entities and suppliers to apply standards similar to our own.’


Company website: Our response to Woolf Committee Recommendation 2 OPENNESS AND TRANSPARENCY

‘New employees receive a copy of the Code of Conduct and introductory training during their induction period. Employees receive regular refresher training on our Code of Conduct and ethical standards.’


Company website: Our response to Woolf Committee Recommendation 20 - TRAINING

‘To support the approach for regular training, refresher training on the Code and our ethical standards has been rolled out. For most employees through face-to-face sessions led by managers. These sessions included a team discussion exploring potential ethical dilemmas employees could face in their work. An e-learning option was available for those working remotely to ensure that training reaches everyone in the company.

In addition to the Code of Conduct training, specific training modules have also been introduced for senior executives and business leaders. For example, executives, other than those based in our Inc. business are required to complete the Group's Integrity in Business Dealing training, an online course covering our policies on Gifts and Hospitality, Facilitation Payments, Company Giving and Conflicts of Interest.’


Company website: 2014 Ethics Training

‘Q: Who must take the training?
A: We take ethics training in order to help build a better and more positive culture. We hope that everyone will take the training, but not everyone "must".’

http://www.baesystems.com/ethicstraining2014

Ethics Training Facilitators inserts:

A29: Does the company provide targeted anti-corruption training to members of the Board?

Score:

1

Comments:
Based on public information, there is evidence that Board members receive training on the Code of Conduct, which includes an anti-corruption policy. This training is provided to all employees and the company states that it is regularly refreshed. The company therefore scores 1. To score higher the company would need to provide evidence that Board members receive anti-corruption training at least every three years.

References:
Public:
Annual Report 2013, p.112:
‘The Code of Conduct and related policies are supported by regular mandatory training for all employees. During 2013, the Group provided export control training for all senior employees, which explained the standards required on export control and International Traffic in Arms Regulations. Senior executives and business leaders completed further training on the Advisers, Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest mandated policies in the Operational Framework.’
‘All employees will participate in Code of Conduct refresher training in 2014. This will be developed to address current key issues, such as the use of social media and security of information.’

Code of Conduct UK, 2011, p.10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example

BAE SYSTEMS PLC 10/11/14
WWW.BAESYSTEMS.COM
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’

Company website: 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 2013 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, Company Giving, and Conflicts of Interest. See below.

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.’
### Essential Training Framework

<table>
<thead>
<tr>
<th>Course</th>
<th>Minimum Frequency (after initial completion)</th>
<th>Audience</th>
<th>How?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adviser (Module 5)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Group Advisers Policy &amp; Principles Training</td>
<td>Once only</td>
<td>Any role involved with advisers</td>
<td>Face to face</td>
</tr>
<tr>
<td>Anti-Bribery &amp; Corruption (Module 1)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Community Investment (Module 4)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>(UK) Data Protection and You</td>
<td>36 months</td>
<td>All with email account</td>
<td>Online</td>
</tr>
<tr>
<td>(UK) Data Protection - Additional Information</td>
<td>36 months</td>
<td>All with leadership/managerial responsibilities</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Awareness</td>
<td>36 months</td>
<td>All</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Enhanced</td>
<td>12 months</td>
<td>All whose role includes ITAR and export</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Advanced</td>
<td>12 months</td>
<td>All export control subject matter experts or Specialists e.g. legal counsel, export control coordinators, lead practitioners and responsible person</td>
<td>Online and face to face</td>
</tr>
<tr>
<td>Facilitation, Payments &amp; Conflict of Interest (Module 2)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Gifts and hospitality (Module 3)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>IT Security</td>
<td>24 months</td>
<td>All with email addresses</td>
<td>Online</td>
</tr>
</tbody>
</table>


BAE Systems, Inc. Facilitators Guide (2014), p.3:

‘Regular and engaging ethics training workshops like this are a vital part of maintaining an ethical culture and helping every one of us to understand that ethical behavior is our responsibility. Whatever our function or job title, it is important that each of us participates fully—including all members of the board of directors and each and every...”
employee throughout the corporation—participates in ethics training.
In the video version of this welcome, the background behind me is animated. Well...in the video scenarios, you’ll encounter animated characters facing a number of ethics-related issues taken from real ethics cases that took place within BAE Systems. Some situations may seem very straightforward, while others are more ambiguous, in the same way you face different situations in your everyday job. Watch and listen. Identify the ethical issues at play and ask yourself how you would go about resolving them. As part of the discussion, we will explore strategies for acting on our values successfully.
Thank you again for investing the time and giving this training your full attention.
The Honorable Michael Chertoff
Chairman of the Board
BAE Systems, Inc.’.  

Company website: Meeting High Ethical Standards
‘All employees, including Executive Committee and Board Members, are required to complete regular refresher training aimed at understanding and applying the standards, with all new employees undergoing training as part of the induction programme.’


Company website: Our response to Woolf Committee Recommendation 20 - TRAINING
‘To support the approach for regular training, refresher training on the Code and our ethical standards has been rolled out. For most employees through face-to-face sessions led by managers. These sessions included a team discussion exploring potential ethical dilemmas employees could face in their work. An e-learning option was available for those working remotely to ensure that training reaches everyone in the company.
In addition to the Code of Conduct training, specific training modules have also been introduced for senior executives and business leaders. For example, executives, other than those based in our Inc. business are required to complete the Group's Integrity in Business Dealing training, an online course covering our policies on Gifts and Hospitality, Facilitation Payments, Company Giving and Conflicts of Interest.’

A30:
Does the company provide tailored ethics and anti-corruption training for employees in sensitive positions?

Score:
2

Comments:
Based on public information, there is evidence that the company provides tailored anti-corruption training for employees in sensitive positions.

References:
Public:
Company website: Our response to Woolf Committee Recommendation 10 - REVIEW OF KEY ETHICAL POLICIES AND PROCEDURES
‘To help employees apply the policies in practice, we provide training on the Code of Conduct for all employees - asking them to think about how they should respond to a series of ethical dilemmas that they might encounter in day-to-day business situations - and more detailed training on key policies for employees in relevant roles (see our response to recommendation 20).’
http://www.baesystems.com/article/BAES_020639/recommendation-10

2012 Annual Report, p.40:
‘Additional compliance-based e-learning training is also targeted at employees throughout the year. For example, senior executives and business leaders undertake the Group’s Integrity in Business Dealings training covering our policies on Gifts and Hospitality, Facilitation Payments, Company Giving and Conflict of Interest’

Annual Report 2013, p.63:
‘2013 priorities
Ethics and governance
Continue to improve and evolve the Group’s business conduct programme.
2013 progress
- Network of Ethics Officers established across all operations.'
-Training provided for all senior employees on export control procedures, and anti-bribery and corruption.

-Employee survey confirmed that the senior leadership of the Group is committed to ethical business practices and conduct.

2014 priorities

-Continue to improve and evolve the Group’s business conduct programme.

-Undertake external assessment of ethical culture and environment.’

(p.112): ‘The Code of Conduct and related policies are supported by regular mandatory training for all employees. During 2013, the Group provided export control training for all senior employees, which explained the standards required on export control and International Traffic in Arms Regulations. Senior executives and business leaders completed further training on the Advisers, Gifts and Hospitality, Facilitation Payments, Community Investment and Conflicts of Interest mandated policies in the Operational Framework.’

‘All employees will participate in Code of Conduct refresher training in 2014. This will be developed to address current key issues, such as the use of social media and security of information.’

Code of Conduct UK, 2011, p10:
‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’.

Company website: 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 2013 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, Company Giving, and Conflicts of Interest. See below.

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.’

### Essential Training Framework

<table>
<thead>
<tr>
<th>Course</th>
<th>Minimum Frequency (after initial completion)</th>
<th>Audience</th>
<th>How?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adviser (Module 5)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Group Advisers Policy &amp; Principles Training</td>
<td>Once only</td>
<td>Any role involved with advisers</td>
<td>Face to face</td>
</tr>
<tr>
<td>Anti-Bribery &amp; Corruption (Module 1)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Community Investment (Module 4)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>(UD) Data Protection and Use</td>
<td>36 months</td>
<td>All with email account</td>
<td>Online</td>
</tr>
<tr>
<td>(UD) Data Protection - Additional Information</td>
<td>36 months</td>
<td>All with leadership/managerial responsibilities</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Awareness</td>
<td>36 months</td>
<td>All</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Enhanced</td>
<td>12 months</td>
<td>All whose role includes ITAR and export</td>
<td>Online</td>
</tr>
<tr>
<td>Export Control Advanced</td>
<td>12 months</td>
<td>All export control, Subject Matter Experts or Specialists e.g. legal counsel, export control coordinators, lead practitioners and responsible persons.</td>
<td>Online and face to face</td>
</tr>
<tr>
<td>Facilitation Payments &amp; Conflict of Interest (Module 2)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>Gifts and Hospitality (Module 3)</td>
<td>24 months</td>
<td>All executive grades</td>
<td>Online</td>
</tr>
<tr>
<td>IT Security</td>
<td>24 months</td>
<td>All with email addresses</td>
<td>Online</td>
</tr>
</tbody>
</table>
Company website: Our response to Woolf Committee Recommendation 20 - TRAINING

‘To support the approach for regular training, refresher training on the Code and our ethical standards has been rolled out. For most employees through face-to-face sessions led by managers. These sessions included a team discussion exploring potential ethical dilemmas employees could face in their work. An e-learning option was available for those working remotely to ensure that training reaches everyone in the company.

In addition to the Code of Conduct training, specific training modules have also been introduced for senior executives and business leaders. For example, executives, other than those based in our Inc. business are required to complete the Group’s Integrity in Business Dealing training, an online course covering our policies on Gifts and Hospitality, Facilitation Payments, Company Giving and Conflicts of Interest.’

A31:
Does the company have a clear and formal process by which employees declare conflicts of interest?

Score:

1

Comments:
Based on public information there is evidence that the company has a clear process by which employees declare conflicts of interest. Employees are instructed to inform their managers, with the conflict of interest recorded and resolved as soon as possible. The company therefore scores 1. To score higher the company would need to provide evidence that employees are instructed to declare conflicts of interest to an independent department.

References:
Public:
Annual Report 2013, p.122:
‘As permitted under the Companies Act 2006, the Company’s Articles of Association contain provisions which enable the Board to authorise conflicts or potential conflicts that individual directors may have.

To avoid potential conflicts of interest the Board requires the Nominations Committee to check that any individuals it nominates for appointment to the Board are free of potential conflicts. In addition, the Board’s procedures and the induction programme for new directors emphasise a director’s personal responsibility for complying with the duties relating to conflicts of interest. The procedure adopted by the Board for the authorisation of conflicts reminds directors of the need to consider their duties as directors and not grant an authorisation unless they believe, in good faith, that this would be likely to promote the success of the Company. As required by law, the potentially conflicted director cannot vote on an authorisation resolution or be counted in the quorum. Any authorisation granted may be terminated at any time and the director is informed of the obligation to inform the Company without delay should there be any material change in the nature of the conflict or potential conflict so authorised. The Nominations Committee has been asked to review on an annual basis any authorisations granted and to make recommendations to the Board as appropriate.’
‘Conflicts of interest
We will disclose and seek direction on any issues that may potentially conflict with our responsibilities to the company.

When a conflict of interest arises it can throw doubt on your integrity. It can also have a damaging effect on the reputation of the company.

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, with examples including managing or recruiting 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. You may, however, serve on the boards of community, government, educational, civic or other non-profit organisations, provided that such participation does not interferewith your duties as an employee.

Potential conflicts of interest should be avoided or carefully managed. In all cases, you must disclose a potential or actual conflict to your line manager as soon as you become aware of it. The issue will be discussed in a straightforward manner, and be recorded and resolved as soon as practically possible.’

(p.41): ‘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 Human Resources department or your line manager.

Q. My neighbour wants me to see if there is a job placement / graduate opening for his daughter and whether I can ‘pull any strings’.
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 recruitment of that individual as it would be a conflict of interest.

Which policies provide more information?
Conflict of Interest Policy
People Policy

Are there any specialists I can talk to?
Your Human Resources department
Your Legal department’.

Company website: Conflicts of Interest
‘Our Conflicts of Interest policy concerns situations where competing interests may conflict and impair the ability of employees to make objective and unbiased decisions.

Our 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
A32:
Is the company explicit in its commitment to apply disciplinary procedures to employees, Directors and Board members found to have engaged in corrupt activities?

Score:
1

Comments:
Based on public information, there is evidence that the company has a commitment to apply disciplinary procedures to all employees who violate the Code of Conduct. However, the company uses the word ‘may’, rather than wording that signifies an explicit commitment such as ‘will’. Also, as the Code of Conduct does not explicitly state its application to Board members, it is unclear if disciplinary procedures will be applied to Board members who violate the Code of Conduct. The company therefore scores 1.

References:
Public:
Annual Report 2013, p.112:
‘If employees are found to be in breach of the Group’s Code of Conduct or related policies, they will potentially be subject to disciplinary action. In 2013, 265 employees were dismissed for reasons relating to breaches of the Group’s standards and policies, primarily for personnel and workplace issues.’

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 include dismissal, is taken.
Code of Conduct UK, 2011, p.10:
‘All BAE Systems employees shall comply with the standards set out within this Code. These standards are clearly laid out at the beginning of each section, starting at section 2.1. These standards are also included in the relevant BAE Systems policies (embedded within the Operational Framework). A failure to comply with the Code amounts to a failure to comply with BAE Systems policies and processes, and may result in disciplinary action.’

Company website: Monitoring and Compliance
‘We take allegations of unethical behaviour very seriously. Our Code of Conduct makes clear that any failure to comply with the Code or our other policies may result in disciplinary action.’


Company website: Our response to Woolf Committee Recommendation 18 - INVESTIGATION AND DISCIPLINARY PROCEDURES
‘Our Code of Conduct makes clear that any failure to comply with the Code or our other policies may result in disciplinary action.’

A33:
Does the company have multiple, well-publicised channels that are easily accessible and secure, to guarantee confidentiality or anonymity where requested by the employee (e.g. web, phone, in person), to report concerns or instances of suspected corrupt activity?

Score:
2

Comments:
Based on public information, there is evidence that the company has multiple, well-publicised, secure channels, for employees to report concerns or instances of suspected corrupt activity. These channels include a Human Resources contact, the Legal department or an ethics officer. In particular, an externally operated Ethics Help line is available 24/7, via freephone or email. This system allows employees to speak to someone in their own language and report anonymously.

References:
Public:
Annual Report 2013, p.13:
‘BAE Systems places great importance on the way it conducts business and continues to reinforce a culture of responsible behaviour. The Group has established a network of Ethics officers to support employees who may have concerns or queries. In 2013, over 40% of ethics issues raised were through discussions with Ethics officers.’

(p.112): ‘If employees (or third parties) need help or guidance in addition to that provided by the Code of Conduct, or want to report a concern, they can call the Ethics Helpline, which is managed by a third party and is available 24 hours of every day using a freephone number from most countries. The caller has the option to speak to someone in their own language. Employees can also get independent advice and support, or report concerns via Ethics Officers, now in place across the businesses, or via the Ethics Helpline e-mail address, which is also made available to third parties via the Group’s website.’

Code of Conduct UK, 2011, preface:
‘To contact the confidential Ethics Helpline:'
If you are a Head Office, Regional Aircraft, Shared Services, International or Programmes & Support employee use the following numbers:
Australia 1 800 121889
Austria 0800 281700
Belgium 0800 71025
Brazil 0800 891 8807
Czech Republic 800 142 428
Germany 0800 182 3246
Greece 00800 441 31422
Hungary 6800 14863
India 00800 440 1286
Indonesia 001 803 0441 1201
Italy 800 783776
Japan 0531 78 0023
Kingdom of Saudi Arabia 8008440172
Malaysia 1800 807055
Poland 00800 441 2392
Romania 0800 894440
Singapore 800 4411 140
Slovakia 0800 004461
South Africa 0800 990520
Thailand 001 800 442 078
Turkey 00800 4463 2066
United Kingdom 0800 374199
United States 1 888 306 7330
Or Email:
Ethics.Helpline@baesystems.com

If you are a BAE Systems, Inc. employee use the following numbers:
Germany 0800 182 0493
Israel 180 941 3855
Mexico 001 877 443 3054
South Africa 0800 980 515
Switzerland 0800 56 4873
United Kingdom 0808 234 3708
United States 888 306 7330
Or use Website:
https://baesystemsethics.alertline.com or
https://baesystemsethicseu.alertline.com if in the EU
Use of a helpline to report issues in Sweden is limited by law. If you are in Sweden and have an issue or concern, contact your local Legal Department.

(p.11): ‘There are a number of ways that you can seek advice and support, including through any of the following:
– your immediate line manager
– someone else in your management structure
– an Ethics Officer (see intranet site)
– your Human Resources contact
– your Legal department
– the Ethics Helpline’.

(p.12): ‘An Ethics Helpline is available. You can use this if you:
– want to tell us about situations where you think the law or our standards may not have been upheld
– think an issue or concern that you have reported is not being dealt with properly

Calls to the Ethics Helpline are free and lines are open 24 hours a day, seven days a week. Telephone numbers for the Ethics Helpline are shown on the inside front cover of this Code of Conduct.

Q. What will happen when I contact the Ethics Helpline?
A. When you call the Ethics Helpline, you will be supported. A member of the trained staff will take written details then make a confidential report to BAE Systems, but they will not record your call. We use an external company which specialises in operating confidential telephone reporting systems, to provide an independent service.

Q. Do I have to give my name?
A. We would rather you identified yourself, as this helps us to assess the issues or concerns you are raising, to take quick action to deal with them or to provide you with an update. If you wish to make an anonymous call you may do so. However, it may make it difficult to investigate your issue or concern if we do not know how to contact you again.

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 take your issue or concern).’

(p.13): ‘Q. Can I find out what is happening about my issue or concern?
A. Yes. We will give you a call reference number so that you can contact the helpline to find out what is being done. We will update you where we can. We will try to advise you when the issue has been resolved, although we may not be able to provide you with all the details due to privacy issues.

Q. Who in the company will know about my call or email?
A. Your details will be known only to those people specifically involved in investigating your
issues or concerns and to the committees to which the investigators report.

Q. Do I have to be absolutely sure that there is a problem?
A. No. If you have a real and honest issue or concern that the law or our standards are being or have been breached, then it is important that you report it. If it turns out that your issue or concern was reported in good faith, but was unfounded or mistaken, you will not be penalised in any way.

Q. How can I be sure I won’t be penalised?
A. The company is fully committed to protecting your position and maintaining the independence, impartiality and confidentiality of the reporting and helpline process. Anyone who tries to undermine that commitment can expect to be disciplined. In addition, you may have protection under applicable laws.

Q. What if someone makes a malicious or frivolous call?
A. Making a malicious or frivolous call, or deliberately giving false information, will be treated as serious misconduct and disciplinary action may be taken.

Q. If I am not a BAE Systems employee, but wish to raise a potential issue or concern, who can I speak with?
A. Our helpline is open to anyone so we would encourage everyone who has a potential issue or concern related to BAE Systems to raise it as soon as possible.

Company website: Ethics Helpline

‘The Ethics helpline is available for you to call if you want to tell us about situations where you think the law or our standards may not have been upheld, or where you think an issue or concern that you have reported is not being dealt with properly.

Calls to the Ethics Helpline are free and lines are open 24 hours a day, seven days a week. Telephone numbers for the Ethics Helpline are shown in the tables below.

When you call the Ethics Helpline, a member of trained staff will take written details then send a confidential report to BAE Systems, but they will not record your call. We use an external company which specialises in operating confidential telephone reporting systems to provide an independent service and assurance to callers of confidentiality and, where they request it, anonymity.

Although we would rather you identified yourself (so you can help us to assess the issues or concerns you are raising and enable us to take quick action to deal with them as well as provide you with updates and feedback), if you wish to make an anonymous call you may do so. Whilst we commit to investigate all calls, it may make it difficult to conduct a thorough investigation into your issue or concern if we do not know how to contact you again.

However, you should not let any concerns go unresolved. If you report apparent misconduct honestly, and in good faith, you will be supported by the Company.


Company website: Monitoring and Compliance

‘We encourage employees to report any concerns or suspected cases of misconduct to their
Concerns can also be reported via our Ethics Helpline, which can be accessed by anyone within or outside the company - anonymously if required. The contact details for the helpline (telephone number and email address) are publicised in our Code of Conduct, on our intranet site and on our external website.

Each enquiry (made by phone, e-mail or meeting with an Ethics Officer) is given a unique reference number, so individuals can monitor the progress of their call or e-mail. We publish the number of enquiries made via our Ethics Helpline by category in our Annual Report.’


Company website: Our response to Woolf Committee Recommendation 16 - EMPLOYEE ETHICS HELPLINE

‘Contractors, suppliers, employees in our joint ventures and other third parties can access our Ethics Helpline. Contact details for the Helpline (including local telephone numbers and a global email address) are available on our website.

These details are publicised in our Code of Conduct - also available online - which is distributed to employees in our majority owned joint ventures and our top 1,000 suppliers.’

http://www.baesystems.com/article/BAES_020646/recommendation-16

Company website: Our response to Woolf Committee Recommendation 18 - INVESTIGATION AND DISCIPLINARY PROCEDURES

‘Employees are encouraged to report any concerns or suspected cases of misconduct to their manager, their local Ethics Point of Contact, their local human resources or legal contact, or via our Ethics Helpline. The helpline can be used by employees, suppliers and other third parties, anonymously if required. The contact details for the Helpline (telephone number and email address) are publicised in our Code of Conduct, on our intranet site and on our external website (see our response to recommendation 16).

All concerns raised with the Ethics Helpline are given a unique reference number, so individuals can monitor the progress of their call or e-mail.

Internally, allegations of unethical behaviour, investigations and related disciplinary actions are reviewed by the Ethics Review Committee, and, in the US, by the BAE Systems Inc. Ethics Oversight Committee.’


Basis of Reporting – CR Review 2013, p.2:

‘BAE Systems, Inc.

The helpline service for BAE Systems, Inc. is run by an external service provider, Global Compliance, a Navex Global company. Global Compliance receives enquiries via telephone and internet and forwards enquiry details to Ethics leadership staff at the BAE Systems, Inc. headquarters. The Ethics leadership staff then disseminates enquiries within the BAE Systems, Inc. Ethics organisation to be investigated and/or resolved. Individuals raising
enquiries may also contact local, sector, or Inc. headquarters Ethics Officers and each Ethics Officer receiving an enquiry inputs the enquiry data into the ethics database. Enquiry data is monitored by the BAE Systems, Inc. Ethics Oversight Committee. The committee is chaired by the Senior Vice President & General Counsel and is made up of the Inc. Executive Vice Presidents; Senior Vice Presidents of HR and Finance; the Vice Presidents of Internal Audit and Chief Ethics Officer and an outside Director from the BAE Systems, Inc. Board of Directors. Reports are also made to the board of BAE Systems, Inc. All enquiries are reviewed bi-weekly by the Sector Ethics Directors with the Inc. HQ Ethics staff.

BAE Systems plc (all BAE Systems less BAE Systems, Inc.)

The helpline service is run by an external service provider, Expolink, who forward call details to the Ethics leadership team at Head Office, who also receive contacts to our confidential ethics helpline email address. The Ethics leadership team disseminates contacts to the appropriate businesses, via Ethics Officers, for investigation/resolution. Ethics Officers across the businesses also receive contacts directly by telephone, email and walk-in (face to face). The day-to-day management of all ethics contacts is the responsibility of the Head of Business Conduct, their staff and the Ethics Officers, using a centralised case management tool to do so. Oversight of all ethics contacts is the responsibility of the Ethics Review Committee (ERC), chaired by the Managing Director, Corporate Responsibility with permanent members of Group Audit Director; Chief Counsel, Compliance & Regulation; HR Director, Head Office; Group Security Director and Head of Business Conduct. The ERC meets quarterly reviewing contacts management performance, significant trends and actions taken in response to ethical concerns raised, ensuring thoroughness and consistency.

A33(a):
Are the whistleblowing channels available to all employees in all geographies?

Score:
2

Comments:
Based on public information, there is readily available information that across geographies, all employees have access to more than one reporting channel. Employees can report using a Human Resources contact, a Legal department, an ethics officer, or the Ethics Helpline.

References:
Public:
Annual Report 2013, p.112:
‘If employees (or third parties) need help or guidance in addition to that provided by the Code of Conduct, or want to report a concern, they can call the Ethics Helpline, which is managed by a third party and is available 24 hours of every day using a freephone number from most countries. The caller has the option to speak to someone in their own language. Employees can also get independent advice and support, or report concerns via Ethics Officers, now in place across the businesses, or via the Ethics Helpline e-mail address, which is also made available to third parties via the Group’s website.’

Code of Conduct UK, 2011, p.11:
‘There are a number of ways that you can seek advice and support, including through any of the following:
– your immediate line manager
– someone else in your management structure
– an Ethics Officer (see intranet site)
– your Human Resources contact
– your Legal department
– the Ethics Helpline’.

(p.12): ‘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 take your issue or concern).
A33(b):
Does the company have formal and comprehensive mechanisms to assure itself that whistleblowing by employees is not deterred, and that whistleblowers are treated supportively?

Score:
2

Comments:
Based on public information, there is evidence, that the company has formal and comprehensive mechanisms, to assure itself that whistleblowing by employees is not deterred and that whistleblowers are treated supportively. The company collects Ethics Helpline usage statistics which are made publically available. Key monitoring indicators are reviewed by the CR Committee, including the number of new contacts, the average time taken to close contacts, the number of contacts that were made anonymously, and the number of contacts that were substantiated. Trends and issues are then identified and feedback as improvements into the company’s wider ethics agenda.

References:
Public:
Annual Report 2013, p.78:
Corporate Responsibility: ‘reviewed the operation and effectiveness of the Company’s Ethics Helpline and the nature of matters reported; reviewed the Company’s anti-bribery compliance processes, including those for the appointment of advisers’

(p.112): ‘During 2013, 1,043 enquiries were reported to Ethics Officers and through the Ethics Helpline. The Group has seen a steady increase in reports and requests for guidance to Ethics Officers as they become more established within their businesses.’

(p.113): ‘Enquiries to Ethics Helpline
2013 : 1,043
2012 : 1,024
2011 : 1,011
2010 : 734
2009 : 870’
‘2013 enquiries to Ethics Helpline
Guidance and Advice: 383
Employee relations and conduct: 194
Management practices: 189
Accounting charges practices: 89
Open enquiries: 59
Other: 129’.

Code of Conduct UK, 2011, p.13:
‘Q. Can I find out what is happening about my issue or concern?
A. Yes. We will give you a call reference number so that you can contact the helpline to find out what is being done. We will update you where we can. We will try to advise you when the issue has been resolved, although we may not be able to provide you with all the details due to privacy issues.

Company website: How do we track concerns raised
‘Enquiries and reports to our Ethics Officers and Ethics Helpline (referred to as contacts) are monitored and tracked using an internal case management tool. Each contact is given a unique identification number, so that progress can be reported back to the individual who has raised the concern. Each contact is dealt with internally and, when completed, feedback given to the caller.
All contacts are reported to and monitored by the Ethics Review Committee or, at BAE Systems Inc, by the Ethics Oversight Committee. Data and information from both of these is (jointly) reported to the CR Committee. Key indicators that are monitored and reported against include the:
- Number of new contacts received during specified period (usually a Quarter)
- Number of existing contacts closed during same period
- Average time (in days) taken to close out contacts (measured from receipt to feedback provision to caller)
- % of contacts that were from callers wishing to remain anonymous
- % of contacts (requiring investigation) that were substantiated
All contacts are categorised and a record of resolution/outcomes maintained. This allows for significant trends to be identified (whether by category or business) that may require further intervention, as well as learnings that can be incorporated into, for example, the Code, process and policy updates and training and ongoing employee communications. We also use the data and information we collate to compare against external benchmark reports.’
Company website: 2013 CR Data – Ethics

<table>
<thead>
<tr>
<th>Year</th>
<th>Enquiries to Ethics Helpline^</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>1,043</td>
</tr>
<tr>
<td>2012</td>
<td>1,024</td>
</tr>
<tr>
<td>2011</td>
<td>1,011</td>
</tr>
<tr>
<td>2010</td>
<td>734</td>
</tr>
<tr>
<td>2009</td>
<td>670</td>
</tr>
</tbody>
</table>

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.

2013 ENQUIRIES TO ETHICS HELPLINE - SPLIT BY CATEGORY^*

<table>
<thead>
<tr>
<th>Category</th>
<th>Enquiries to Ethics Helpline^</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>383</td>
</tr>
<tr>
<td>2</td>
<td>194</td>
</tr>
<tr>
<td>3</td>
<td>189</td>
</tr>
<tr>
<td>4</td>
<td>89</td>
</tr>
<tr>
<td>5</td>
<td>59</td>
</tr>
<tr>
<td>6</td>
<td>129</td>
</tr>
</tbody>
</table>

1. Guidance and advice
2. Employee relations and conduct
3. Management practices
4. Accounting charges practices
5. Open enquiries**
6. Other

** US category only
BAE Systems, Inc. Facilitators Guide (2014), p.5:

‘Something new in this year’s training is an emphasis on the practical considerations of speaking up. Often times, we recognize the issues we face but allow our own fears to stop us from taking action. The questions and discussions in this workshop introduce and emphasize the strategies and techniques for speaking up. The discussions you facilitate will help participants learn how they might resolve ethical dilemmas or conflicts and overcome the fear of speaking up.’

Company website: Our response to Woolf Committee Recommendation 18 - INVESTIGATION AND DISCIPLINARY PROCEDURES

‘We publish the number of enquiries made via our Ethics Helpline and the number of employees dismissed for unethical conduct in our Annual Report. 2010 data on ethics calls and dismissals can be viewed here. Data on the number of enquiries includes calls and emails to our Helpline. We plan to make 2011 data available to view in our 2011 Annual Report.’

A34:
Does the company have well-publicised resources available to all employees where help and advice can be sought on corruption-related issues?

Score:

2

Comments:
Based on public information, there is evidence the company has well-publicised resources available to all employees, where advice can be sought on corruption-related issues. The resources include a Human Resources contact, a Legal department, an ethics officer, or the Ethics Helpline.

References:
Public:
Annual Report 2013, (p.13):
‘BAE Systems places great importance on the way it conducts business and continues to reinforce a culture of responsible behaviour. The Group has established a network of Ethics officers to support employees who may have concerns or queries. In 2013, over 40% of ethics issues raised were through discussions with Ethics officers.’

(p.112): ‘If employees (or third parties) need help or guidance in addition to that provided by the Code of Conduct, or want to report a concern, they can call the Ethics Helpline, which is managed by a third party and is available 24 hours of every day using a freephone number from most countries. The caller has the option to speak to someone in their own language. Employees can also get independent advice and support, or report concerns via Ethics Officers, now in place across the businesses, or via the Ethics Helpline e-mail address, which is also made available to third parties via the Group’s website.’

Code of Conduct UK, 2011, p.11:
‘There are a number of ways that you can seek advice and support, including through any of the following:
– your immediate line manager
– someone else in your management structure
– an Ethics Officer(see intranet site)’
– your Human Resources contact
– your Legal department
– the Ethics Helpline

It may be as simple as talking to the person concerned, or discussing the options with a trusted colleague or an employee representative.

Do not let any concerns go unresolved. If you report apparent misconduct honestly, and in good faith, you will be supported by the company. Employees should report any infringements of the Code as soon as possible.’

Company website: Ethics Officers Network

‘Ethics Officers are in place across our business globally. They support our employees at a local level by giving confidential face to face independent advice, help and support. Employees can also report concerns to them.

Ethics Officers are employees who have been appointed by and within their respective businesses. Their role is to support the embedding of ethical and responsible behaviour into day-to-day business activities. Ethics officers seek to promote, drive and highlight all aspects of the business conduct programme and guide the application of our values and principles-based policies in all decision-making. They provide support to employees and managers in addressing and resolving issues and concerns raised, and develop and deliver appropriate reports. Our Ethics Officers, mostly part-time, come from a wide range of professional backgrounds and are at various employee and management levels.

For UK and International, the central Corporate Responsibility (CR) Team provides training, support and guidance to Ethics Officers and monitors their activities for onward reporting to the Ethics Review Committee and CR Committee. At BAE Systems Inc, Ethics Officers are supported by the Ethics and Business Conduct team and their activity is reported to the Ethics Oversight Committee and CR Committee.’


Company website: Monitoring and Compliance

‘We encourage employees to report any concerns or suspected cases of misconduct to their manager, human resources or legal contact. Employees can raise concerns or discuss issues confidentially with one of our Ethics Officers.

Concerns can also be reported via our Ethics Helpline, which can be accessed by anyone within or outside the company - anonymously if required. The contact details for the helpline (telephone number and email address) are publicised in our Code of Conduct, on our intranet site and on our external website.

Each enquiry (made by phone, e-mail or meeting with an Ethics Officer) is given a unique reference number, so individuals can monitor the progress of their call or e-mail. We publish the number of enquiries made via our Ethics Helpline by category in our Annual Report.’

A35:
Is there a commitment to non-retaliation for bona fide reporting of corruption?

Score:

2

Comments:
Based on public information, there is evidence that the company has a no-retaliation policy for bona fide reporting of corruption. Evidence also suggests that disciplinary measures are applied to employees who breach this policy.

References:
Public:
Code of Conduct UK, 2011, p.9: ‘Take action when an employee is subjected to retaliation or retribution for reporting any suspected misconduct’.

(p.10): ‘Those who manage or supervise other employees have additional responsibilities under this Code. These include:
– making sure the Code is provided to, explained to and understood by employees they manage and supervise
– providing guidance to those they manage or supervise on how they can meet the Code’s requirements
– promoting the standards by setting a personal example
– ensuring employees receive training and guidance on ethical issues
– monitoring compliance with the Code by employees they manage or supervise
– ensuring that third parties are aware of, and comply with, the policies and standards when appropriate
– creating an environment where employees can speak up, without fear of retribution’.

(p.13): ‘Q. How can I be sure I won’t be penalised?
A. The company is fully committed to protecting your position and maintaining the independence, impartiality and confidentiality of the reporting and helpline process. Anyone
who tries to undermine that commitment can expect to be disciplined. In addition, you may have protection under applicable laws.¹

Company website: 2013 CR Data – Ethics

**2013 DISMISSALS FOR REASONS RELATING TO UNETHICAL BEHAVIOUR**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>265</td>
</tr>
<tr>
<td>2012</td>
<td>292</td>
</tr>
<tr>
<td>2011</td>
<td>298</td>
</tr>
<tr>
<td>2010</td>
<td>355</td>
</tr>
<tr>
<td>2009</td>
<td>485</td>
</tr>
</tbody>
</table>

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 include dismissal, is taken.

Information Sources:

Company website:
www.baesystems.com

Code of Conduct and Key Policies:
http://www.baesystems.com/article/BAES_020436/code-of-conduct-and-key-policies


Board Charter (2011):

Annual Report (2013):
http://bae-systems-investor-relations-v2.production.investis.com/

Annual Report (2012):

Audit Committee – Terms of Reference (February 2011):