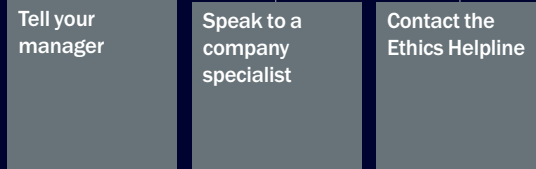


I have an ethical concern – what do I do?

If you have an ethical concern



To contact the **Ethics Helpline**, call the free number below for your country:



| | | | |
|----------------|-------------------|----------------|-----------------|
| Australia | 1 800 121889 | Malaysia | 1800 807055 |
| Austria | 0800 281700 | Poland | 00800 441 2392 |
| Belgium | 0800 71025 | Romania | 02180 14440 |
| Brazil | 0800 891 8807 | Singapore | 800 4411 140 |
| China | 1 0800441 0078 | Slovakia | 0800 004461 |
| Czech Republic | 800 142 428 | South Africa | 0800 990520 |
| Germany | 0800 182 3246 | Sweden | 0200 285415 |
| Greece | 00800 441 31422 | Thailand | 001 800 442 078 |
| Hungary | 06800 14863 | Turkey | 00800 4463 2066 |
| Indonesia | 001 803 0441 1201 | United Kingdom | 0800 374199 |
| Italy | 800 783776 | United States | 1 800 854 1282 |
| Japan | 00531 78 0023 | | |

...or if you prefer to email



If your country isn't listed, or you prefer to use email, wherever you are in the world you can always contact:

ethics.helpline@baesystems.com

Ethics and you

An employee's guide to ethical business conduct

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BAE SYSTEMS

This is the second edition of 'Ethics and You' and I want to emphasise its importance in explaining our approach to these issues.

Since we first produced 'Ethics and you' over two years ago, we have made it available widely within our corporate family around the world. In today's environment, it is even more important that we do everything we can to preserve and protect the respect in which we are held as one of the world's leading systems, defence and aerospace companies. Our commitment to ethical business conduct remains a vital element in retaining that respect.

Now, to strengthen further our approach, we have put in place our 'five principles of ethical business conduct'. This booklet has been updated to tell you about these principles, and to give you, in summary form, the information you need on a day to day basis to help keep our commitment. It does not deal with every possible situation, but it will tell you how to get more information and help when you need it. This includes free access to a confidential helpline which you can use if you do not feel comfortable discussing issues with your local management.

Behaving ethically in business remains an essential part of working for BAE Systems. It is not an 'optional extra' to be included when or if we have the time, but must be integrated seamlessly into everything we do. We will not tolerate unethical behaviour and I am personally committed to protecting our hard won reputation by making sure we conduct our business in accordance with the highest standards.

You can be proud to be a part of a company that sets a high ethical standard. Ethical business is good business.



Mike Turner CBE

Chief Executive
BAE Systems



Section 1

Ethical business conduct

In all aspects of doing business, we will obey the law and behave ethically. But ethical business conduct is more than just a policy – it is fundamental to the way in which we do business. And all our company policies will reflect and require this.

Who does this apply to?

Everyone in the company. All of us, wherever we work, must behave ethically in dealing with fellow employees, customers, suppliers, stakeholders and competitors, wherever they are located. And we must make sure that new colleagues are made aware of our rules when they join the company.

What do we mean by ethical business conduct? Each of us has an idea of what ethical behaviour means in our daily lives. To guide you in what it means in working for the company, here are our five principles of ethical business conduct:

- **Accountability:** we are personally answerable for our conduct and actions
- **Honesty:** there is no substitute for the truth
- **Integrity:** we say what we will do; we do what we say
- **Openness:** when questions are asked, we will be frank and straightforward in our answers
- **Respect:** we value and treat each individual with dignity and thoughtfulness.

These principles apply to everything we do.

What do I have to do?

When you are doing business for the company, the people you deal with will judge you and the company by the way you behave. What you must do is apply the five principles in all your dealings. More than that, you must discourage others from unethical conduct and, if you see such conduct, you must report it to your management or through other company processes.

What standards does the company expect in the way we do business?

Here are some examples of the standards we expect of everyone in our personal behaviour and the way we deal with others:

- we will avoid any outside interest that could influence, or be seen by others as influencing, our judgement in our work - such as taking a second job outside the company without approval
- we will not misuse our position or authority for our individual benefit - such as obtaining personal benefits from customers or suppliers
- we will not act fraudulently - for example, by the false recording of time, expenses and other costs chargeable to the company or to customers
- we will not harass, bully or use abusive acts or language towards anyone
- we will use company resources and facilities, such as telephones, email and internet access responsibly and in accordance with company policy
- we will respect and preserve the confidentiality of personal data and proprietary information held by the company
- we will not engage in criminal activity, and in particular in activity which might cause harm to others - such as using, dealing in, or helping others to obtain or use illicit drugs
- we will not give or accept gifts with corrupt intent, nor make payments to others for any corrupt purpose.

This is not a complete list - any action which is essentially unlawful, dishonest, harmful to others or which is otherwise against our policies is unacceptable. We will take disciplinary action against anyone whose behaviour does not meet our standards. Other external authorities may also become involved in serious cases.

We have detailed policies on many of these issues – you can find out more from the Operational Framework or by talking to your manager.

Why are financial, safety and environmental issues included?

These are important issues with the potential to do great harm to others or ourselves. Enforcement agencies can and will prosecute the company, and in some cases individual employees, over many sorts of regulatory breaches. We want to know that something may be wrong before matters get that far, so that we have a chance to put things right. Better still, we want to stop problems happening in the first place.

What if I just want advice?

First, talk to your supervisor or manager, if you can. If you don't feel comfortable doing that, then your business unit may have a designated Ethics Officer who can assist. Other people with specialist knowledge on a variety of ethical matters can also help you. For example:

Personal and employment issues

Your business unit HR department

Legal issues

Your business unit Legal department

Diversity or equal opportunity issues

A Respect at Work contact; see the notices for telephone numbers

Bribery or other corrupt practices

The Director, International Compliance on extension 3439 at Farnborough

Safety and environmental issues

The Environment, Health and Safety Director on extension 3469 at Farnborough

The detailed policies themselves may give instructions on how to get advice or report problems.

Do I have to report unethical behaviour?

Yes – if you think that you have seen unethical behaviour, you must do something about it - start by telling your manager. He or she is responsible for taking action to correct anything which may be wrong. If you are not sure whether behaviour is ethical, ask for advice. If you prefer, you can talk to one of the people suggested above. The important thing is that is that you tell us about your concerns – don't keep them to yourself.

Section 2

How to get independent help

We want to know and to help if you have concerns or are simply uncertain about ethical issues. And we understand that you may not want to talk to your manager or to colleagues locally – so we have set up the Ethics Helpline.

We want you to feel that you can contact someone independent of the business in confidence

- if you want advice about ethics;
- if you want to tell us about situations where you think the law or our policy may have been broken; or
- if you think issues you have reported are not being tackled properly.

You can use the telephone facility from most countries in which we have staff based permanently – the numbers are given in this booklet. Calls to the helpline are free, and it is manned 24 hours a day, 7 days a week.

If you prefer to use email, you can send a message to ethics.helpline@baesystems.com

What will happen when I ring the Ethics Helpline?

That depends upon where you are. If you call the Ethics Helpline in the US, your call will be answered by a member of the HR team, who will take details of your concern.

Elsewhere, we have asked Expolink, a company which specialises in offering confidential telephone reporting, to provide a totally independent service.

A member of Expolink's trained staff will answer your call and listen to your query or concern. They will take written details then make a confidential report to the company, but they will not record your call.

Do I have to give my name?

We would rather you identified yourself, as this

helps us to assess the circumstances you are calling about and to take quick action to deal with them. Your details will remain confidential as far as possible and be known only to those people specifically involved in any investigation and to the UK and US committees to which reports are made.

Can I find out what is happening about my concern?

Yes. Expolink will give you a call reference number so that you can contact them again to find out what is being done. We will give information to them to pass on, where we can.

Can I use e-mail to ask for guidance or report issues?

Yes. Send a message to:
ethics.helpline@baesystems.com

Messages sent to this address will go straight to the UK Ethics Helpline team.

Who in the company will know about my call or e-mail?

The HR Director, BAE Systems Inc. will receive information about issues raised on the US helpline. Information about issues raised elsewhere will go to the Audit Director, who reports directly to the Chief Executive.

In some cases, they may need advice or information from other senior executives in order to complete their investigations, and, in some cases, they may judge it necessary to disclose your identity to them for this purpose. The Ethics Review Committee will

also get to know about your call or email as part of their monitoring responsibilities.

Who will make sure that the Ethics Helpline is managed properly?

Outside the US, the operation of the helpline is monitored by the Ethics Review Committee. It is chaired by the Audit Director and its members are all senior executives drawn from the Legal, Internal Audit, HR and Security departments. Others may be invited to attend if their specialised skills or knowledge are needed.

The committee meets quarterly, or more often if the chairman thinks it necessary. It will review details of all calls taken on the helpline and e-mails sent to the helpline address to ensure that proper and timely action is being taken to look into and resolve issues. Its minutes are confidential and will not be circulated beyond its members, but it will give a half-yearly report to the Corporate Responsibility Committee. This committee is made up of non-executive main board directors of the company, who hold or who have held senior positions in other major companies or government and who are respected as experienced business people.

They have this role because of their independence from the executive management of the company.

The helpline in the US is monitored by the Ethics Oversight Committee, which is chaired by the General Counsel and has members drawn from HR, Internal Audit, Finance and Commercial

functions. It meets twice a year to review the status of reports made. Reports are also made to the board of BAE Systems, Inc.

Do I have to be absolutely sure that there is a problem?

No. If you have a real and honest concern that the law or our policy are being, or have been, broken then you must report it. If it turns out that your concerns, reported in good faith, were unfounded or mistaken, you will not be penalised in any way.

How can I be sure I won't be penalised?

As you have seen, our Chief Executive has signed the Foreword to this booklet. The directors of the company are fully behind the commitments made about protecting your position and maintaining the independence, impartiality and confidentiality of the reporting and helpline process. Anyone who tries to undermine those commitments can expect to be disciplined. In addition, you may have protection under the laws of the country where you live.

What if someone makes a malicious or frivolous call?

Making a malicious or frivolous call or deliberately giving false information will be treated as serious improper conduct. We will take disciplinary action against anyone who does this. The safeguards set out in this booklet will not apply.