



**SUPPLY CHAIN  
BUSINESS ETHICS  
PROCEDURE**



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# SUPPLY CHAIN BUSINESS ETHICS PROCEDURE

Date of Issue: 09 February 2017

**MBDA has due diligence procedures in place to assess business ethical risk with any third parties we wish to develop a business relationship with.** When a third party, whether it is a supplier, provider, vendor, consultant, subcontractor or partner is intended to be engaged by MBDA to perform a service or deliver a product unconnected, directly or indirectly, to a commercial campaign (whether winning or executing it), it goes through a vetting process managed by Procurement, in coordination with the Compliance function.

Business Advisors are addressed under the Business Advisers Procedure BMS3492.

## SUMMARY

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## PRINCIPLES

Business Ethical assessments shall be managed by Compliance Officers in conjunction with Procurement. These assessments apply to any party, with whom MBDA engages business discussions, which includes:

- New/prospective sub-contractors and suppliers.
- Existing sub-contractors and suppliers.
- Domestic and Export, including local suppliers (e.g. for construction).
- Industrial Cooperation & Offset suppliers.

For business partners not under the responsibility of Procurement a preliminary Business Ethical assessment is available to any other Directorate who plans to engage in business discussions with any other party (for example, Joint Ventures, Partners, Overseas activities, Export contract management service providers etc.).

Business Ethical assessments shall be conducted before any business discussions with the supplier (pre non-disclosure agreement, request for quotation, etc.) can commence.

Business Ethical assessments are a prerequisite to the appropriate supplier approval procedures. When a supplier moves from 'fit for business' (continued business discussions) to supplier accreditation 'fit for purpose' (continued commercial discussions) all Business Ethical assessments must have been completed.

For current suppliers the assessment shall be continuously monitored through agreed periodic refreshes whilst responding to any primary intelligence.

The Compliance Officer will participate in the supplier approval process to enable visibility of the forward loading plan and ensure Business Ethical compliance of all those suppliers approved within the MBDA supply base.

Due to the potential sensitivity of information/intelligence relating to the ethical standards of our suppliers, MBDA shall ensure information is treated with the right level of confidentiality.



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## **BUSINESS ETHICAL ASSESSMENT**

### **Request for a Supplier Business Ethical assessment**

The process shall be initiated by anyone engaging in business discussions with a prospective supplier in the business.

Every prospective supplier shall go through an ethics assessment.

### **Preliminary assessment**

Once a request has been received the preliminary checks will be carried out by Procurement. All Business Ethical risk registration results shall be sent to, and reviewed by, the Compliance Officer.

### **Risk assessment and Allocation of preliminary Risk Status**

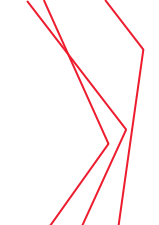
Based on the preliminary Business Ethical assessment the Compliance Officer shall assess the level of risk and will determine whether the business relations with the supplier can proceed.

### **Escalation**

Where a prospective supplier has been identified with a moderate Business Ethical risk additional information may be required by the Compliance Officer and/or it may be recommended that mitigation and/or surveillance actions should take place. The status of the mitigation and/or surveillance actions shall be reviewed for maturity by the Compliance Officer to enable the supplier to proceed through the supplier approval process. The Compliance Officer may decide the risk status should be increased. .

Where supplier has been identified with a moderate Business Ethical risk. the Compliance Officer and Procurement will be informed to determine the next steps. This may result in the Compliance Officer requesting further details initiating a further confidential Business Ethical diagnostic. The Compliance Officer will recommend whether commercial relations with the supplier can continue, can continue with mitigation and/or surveillance actions or may need to be terminated.

Where a prospective supplier has been classified with a high risk, the Compliance Officer will escalate to the Chief Ethics Compliance and corporate Responsibility Officer to determine the impact and decide if mitigation or not to continue with the relationship is necessary. When relevant, an action plan will be engaged to determine the impact and decide if mitigation or termination is necessary. Where acceptable mitigation has been identified, any interaction with



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the supplier can continue. If no consensus on the action plan has been found, the case is escalated to relevant internal committees.

Where an active supplier has been identified with a high risk the Compliance Officer shall be consulted by Procurement to determine the next steps. This may result in the Compliance Officer requesting further details concerning the action plan initiating further confidential Business Ethical diagnostics. The Compliance Officer will escalate to the Chief Ethics Compliance and corporate Responsibility Officer to determine the impact and decide if mitigation or termination is necessary. Where relevant, a Special Purpose Team will be appointed to determine the impact and decide if mitigation or termination is necessary.

Where acceptable mitigation has been identified, a plan of action must be agreed before any Supplier interaction can continue. If no consensus on the action plan has been found, the case shall be escalated to the Management Committee or Business Ethics Committee by the Chief Ethics Compliance and corporate Responsibility Officer. Where termination has been identified as the action, Procurement shall own the action plan to terminate all contracts and identify an alternative source of supply. The results will be recorded in the Supplier Risk Database.