

# Northrop Grumman Anti-Human Trafficking and Modern Slavery Statement 2022

## Introduction

Northrop Grumman<sup>1</sup> is deeply committed to serving as a responsible corporate citizen, consistent with our values, throughout our global operations. We support the elimination of human trafficking and slavery throughout businesses and supply chains.

This Statement has been prepared in accordance with the UK Modern Slavery Act 2015 (the UK Modern Slavery Act), the Australian Modern Slavery Act 2018 (the Australian Modern Slavery Act) and the California Transparency in Supply Chains Act of 2010 (the CTSCA), and covers the financial year ended December 31, 2022.

The reporting entities covered by this joint statement are:

(i) for the purposes of the UK Modern Slavery Act: Northrop Grumman UK Limited; Park Air Systems Limited; and the UK Branch of Northrop Grumman Sperry Marine BV (a company incorporated in the Netherlands); and

(ii) For the purposes of the Australian Modern Slavery Act: Northrop Grumman Australia Pty Limited ACN 156 458 981 (NGAPL) and its wholly owned subsidiaries; Northrop Grumman Integrated Defence Services Pty Limited ACN 090 673 466 (NGIDS); and Northrop Grumman M5 Network Security Pty Limited ACN 101 674 444 (NGM5).

Each of the UK and Australian reporting entities are ultimately owned by Northrop Grumman Corporation, which is listed on the New York Stock Exchange and, for purposes of the CTSCA is a manufacturer doing business in the state of California.

## Northrop Grumman's Structure and Operations

Northrop Grumman is a leading global aerospace and defense company. We deliver a broad range of products, services and solutions to United States (U.S.) and global customers (including the UK Government and the Australian Department of Defence), and principally to the U.S. Department of Defense (DoD) and intelligence community. Our broad portfolio is aligned to support national security priorities and our solutions are intended to equip our customers with capabilities they need to connect, protect and advance humanity. The Company is a leading provider of space systems, advanced aircraft, missile defense, advanced weapons and long-range fires capabilities, mission systems, networking and communications, strategic deterrence systems, and breakthrough technologies, such as artificial intelligence, advanced computing and cyber. We are currently aligned in four operating sectors, which also comprise our reportable segments: Aeronautics Systems, Defense Systems, Mission Systems and Space Systems. Our principal executive offices are located in Falls Church, Virginia, U.S.A. In 2022, we employed approximately 90,000 people around the globe. In the UK, the workforce at the three reporting entities totaled approximately 925 individuals. Our Australian workforce totaled approximately 850 employees.

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<sup>1</sup> Also referred to as the "Company," "we," "us," or "our".

## Description and Assessment of Modern Slavery Risks in the Supply Chain

We regard our suppliers as essential team members and a key part of the Company's success. In 2022, we utilized a broad base of suppliers, across the U.S. and approximately 50 other countries, resulting in a managed supplier spend of approximately US\$15 billion. Nearly 99% of the 2022 supplier- managed spend occurred in countries ranked as lower risk based on the U.S. State Department's assessment of countries' efforts to meet minimum standards for the elimination of trafficking in persons.<sup>2</sup>

We have two broad supply chain categories from which we purchase a diverse range of products and services each year:

- Deliverable products or services that are integrated into, or form part of, the products, solutions or services we sell directly to our customers (direct procurements); and
- Non-deliverable products or services, which are used to support the running of our internal operations (indirect procurements).

Our business is predominantly comprised of programs with our customers. Our program requirements are generally defined by our customers and often have customized supply chain requirements, making the supplier base of our procurements diverse and specific in nature. Our purchases range from 'off the shelf' catalogue items sourced from original equipment manufacturers, to modified 'off the shelf' items, to bespoke developmental items sourced from high end specialist providers of often leading-edge technical products and services.

Our suppliers of products and services intended for internal use are also diverse. This category of suppliers includes reputable providers of office consumables, information technology and communications equipment and services, transport, freight and travel services, facilities and property management, security, human resources, legal and accounting services.

## Description and Assessment of Modern Slavery Risks

We believe the risk of modern slavery and human trafficking in our global employee workforce is low. This view is informed by the fact that we operate in an industry that is highly regulated with a complex technology focus. Moreover, our employee base, their work, and our recruiting and hiring practices are not typically characteristic of those associated with labour exploitation and trafficking. The majority of the individuals we employ worldwide hold science-related degrees and perform engineering or highly skilled technical or professional jobs.

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<sup>2</sup> The US Department of State ranked each of the countries or territories included in the 2022 Trafficking in Persons Report on one of four tiers, as mandated by the US Trafficking Victims Protection Act of 2000 (TVPA). Tier placement reflects an evaluation of a government's actions to combat trafficking assessed against specific criteria outlined in the TVPA. Governments that fully comply with the TVPA's minimum standards for the elimination of trafficking are ranked on Tier 1. For other countries, the US Secretary of State considers whether their governments made significant efforts to bring themselves into compliance. Countries whose governments are making significant efforts to meet the minimum standards, but do not meet them all, are ranked on Tier 2. Those countries whose governments do not fully comply with the minimum standards and are not making significant efforts to do so are ranked on Tier 3. See *U.S. Department of State, Report to Congress on 2023 Trafficking in Persons Interim Assessment Pursuant to the Trafficking Victims Protection Act* (1 February 2023). In the 2023 *Interim Report* covering governmental efforts undertaken from 1 April 2022 through 30 September 2023, the governments of Australia, the United Kingdom and the United States of America fully met the minimum standards for the elimination of trafficking, and were assigned as "Tier 1" countries.

We work hard to comply with all applicable local labour laws and regulations (including federal and state laws in the U.S., the Australian Fair Work Act 2009 and the United Kingdom's National Minimum Wage Act 1998 and Employment Rights Act 1996) and we believe that our global business is governed by well-established Company policies, practices and procedures that provide for diversity, and fair pay and working conditions for our employees.

With respect to our supply chain, the diversity and complexity/layers of our direct and indirect suppliers and products, as well as the geographic locations, markets and regulatory systems in which we operate, may expose us to certain potential modern slavery and human trafficking risks. We assess these risks, among others, taking into account a number of factors, including the nature of the products and services we purchase, the location, business and reputation of our suppliers, and our practices of dealing with our suppliers.

For 2022, our overall assessment, based on a combination of these factors, is that our first tier supply chains remain low-risk for modern slavery and human trafficking. Nearly 99% of the products and services we purchase directly come from industry partners who are operating in sectors and based in countries where governments have made significant efforts to address and eliminate modern slavery practices. The regulated nature of the industry and markets in which we operate are such that many of our suppliers are subject to the same regulations as we operate under and produce high end technology equipment or provide specialized technical services using a largely professional or technically skilled workforce.

We have longer term relationships and an established practice for dealing with many of our first tier suppliers, who we expect to uphold our commitment to operating as responsible corporate citizens. Our standard company terms and conditions (or approved equivalent) include a provision that suppliers and other trading partners comply with these exacting standards of business conduct as a condition of doing business with Northrop Grumman. The *Northrop Grumman Standards of Business Conduct for Suppliers and other Trading Partners* (SSOBC) (published in twelve languages) requires, amongst other things, that Northrop Grumman suppliers and other trading partners adhere to regulations prohibiting human trafficking, and comply with all applicable local laws in the country or countries in which they operate. We also post on the Northrop Grumman supplier's webpage, the *Anti-Human Trafficking Compliance Obligations Supplier Notice* reiterating these requirements.

Potentially higher risks could exist in the sub-tiers of some products we purchase, particularly where the overall supply chain is complex and runs many tiers deep to include raw materials or component parts sourced from, or manufactured in, countries and sectors with higher inherent risks related to modern slavery. While it is difficult for us to identify and manage such risks, especially where we are many tiers removed and have limited visibility, we continue to work with our direct suppliers to flow down our SSOBC and applicable terms and conditions in support of their supply chain practices and provide training on anti-human trafficking compliance as part of our ongoing collective efforts to minimize the risks of modern slavery.

## **Actions Taken to Address Modern Slavery Risks**

### *Northrop Grumman Values*

Our Values are critical to our ability to deliver on our purpose of advancing global security and human discovery in support of our customers' missions around the world. While our purpose reflects what we do and why we do it, our Values reflect who we are and how we behave.

- **We do the right thing** – we earn trust, act with ethics, integrity and transparency, treat everyone with respect, value diversity and foster safe and inclusive environments.
- **We do what we promise** – we own the delivery of results, focused on quality outcomes.
- **We commit to shared success** – we work together to focus on the mission and take accountability for the sustainable success of our people, customers, shareholders, suppliers and communities.
- **We pioneer** – we pioneer with fierce curiosity, dedication, and innovation, we seek to solve the world’s most challenging problems.

These Values are the bedrock of our culture. We seek to do business with those who share our Values and our commitment to integrity and performance; and we may terminate a subcontract or other agreement with a third party if we discover misconduct contrary to our Values.

*Northrop Grumman Policies on Human Trafficking, Modern Slavery and Human Rights*

We maintain a broad-based and robust corporate ethics and compliance program that includes values, leadership, responsibility, training, and audits. The program is intended to ensure compliance with applicable laws and a culture committed to ethics and integrity in all we do. Our culture, ethics and compliance program also help ensure that we do business with parties that share our Values and our commitment to transparent and ethical business practices.

As a responsible corporate citizen, Northrop Grumman fully supports the eradication of human trafficking (including the procurement of commercial sex acts and the use of forced or child labor) and modern slavery, including from the supply chain. The Company is committed to supporting and maintaining the highest standards of ethical conduct along with respect for human rights. This respect is embedded in the Company’s culture and reflected in the Company’s robust Human Rights Policy. We also maintain a Human Rights Working Group comprised of senior executives from across the enterprise, which helps to oversee our approach to respecting human rights and mitigating risks (including modern slavery and human trafficking) in our global business.

Our employees are responsible for complying with our *Standards of Business Conduct* and other policies and procedures, including those that relate to human trafficking and forced labor. These policies and procedures require Northrop Grumman employees to behave and operate in a manner consistent with our Values, and employees found to be in violation of our policies and procedures are subject to discipline, up to and including termination.

We also have comprehensive supplier policies and procedures which we require our suppliers and trading partners to adhere to, including our SSOBC mentioned above. Among other things, the SSOBC set out requirements relating to ethics and integrity, labor and employment practices, compliance with applicable law, and protecting human rights. The SSOBC also require suppliers to ensure that child labor is not used in the performance of work and to adhere to regulations prohibiting human trafficking.

As a U.S. Government contractor, we are subject to and comply with the Federal Acquisition Regulation (FAR), including 52.222-50, on Combating Trafficking in Persons, and FAR 52.222-56, *Certification Regarding Trafficking in Persons Compliance Plan*; as well as the Defense Federal Acquisition Regulation Supplement (DFARS), including 252.225-7057, Pre-award Disclosure of

Employment of Individuals Who Work in the People’s Republic of China and DFARS 252.225-7059, Prohibition on Certain Procurements from the Xinjiang Uyghur Autonomous Region – Certification.

We believe our FAR and DFARS requirements, as well as our SSOBC help to mitigate the risk of human trafficking in our supply chain. In addition, our standard procurement terms and conditions contain provisions requiring our suppliers to comply with applicable laws and regulations, including obligations regarding modern slavery and anti-human trafficking, and incorporating these modern slavery and anti-human trafficking obligations into their lower-tier subcontracts. In Australia, we have updated our standard procurement terms and conditions applicable to our Australian operations in accordance with the requirements of the Australian Modern Slavery Act., Our standard terms and conditions for supplier agreements are intended to help ensure compliance with our Values, policies, and applicable laws and regulations.

#### *How We Train Employees and Suppliers*

For many years, we have provided training and awareness on human trafficking and forced labor through various methods, including online training modules, enterprise communication campaigns, ethics articles, posters at applicable work sites and postings on internal and external Northrop Grumman websites. We provide training to employees who work directly with suppliers, and to various suppliers through materials that are published on the Northrop Grumman supplier portal (OASIS). We periodically refresh and tailor our training, as we work to ensure that it remains current with applicable law and other requirements. In the UK and Australia, we continue to review the types of training and awareness we provide employees and suppliers to further promote compliance.

#### *Due Diligence and Compliance*

In addition to mandatory training, which our employees are required to complete, we seek further to mitigate modern slavery and human trafficking risks in the Company’s operations with our global OpenLine reporting mechanism. Third parties, including employees of our suppliers, are able to submit questions, expressions of concern, or allegations through our OpenLine. We address each one.

We also typically require prospective suppliers to complete a due diligence process during which we: (1) collect information from the supplier; (2) review the supplier’s reputation and background; and (3) conduct a risk-based assessment of certain suppliers operating in international locations. In evaluating third parties with whom we may wish to do business, we focus on risk-based analyses, applying greater scrutiny where we find the risk is higher.

#### *U.S. Government Contracts*

As a U.S. Government contractor, we are subject to and comply with the Federal Acquisition Regulation (FAR), including 52.222-50 on Combating Trafficking in Persons, and we flow down the FAR requirements to our covered suppliers, subcontractors and agents. We develop compliance plans that are tailored as required, based upon the size and complexity of the particular U.S. government contract under which Northrop Grumman is performing. Factors that may prompt such tailoring include the number of individuals working on the project, the work location of those individuals, the number of U.S. citizens versus non-U.S. citizens engaged, and the nature of the supplies and services being acquired. We also require our suppliers to provide certifications

of compliance with respect to their plans regarding anti-human trafficking where required by the FAR.

### *Reporting Violations and/or Concerns*

We expect and ask our employees to raise concerns regarding potential violations of our Values, policies or law, and we provide multiple reporting avenues, including submitting allegations anonymously through our OpenLine. We encourage our employees and third parties to raise concerns without fear of retaliation. We investigate allegations of misconduct and take appropriate steps, including corrective action when allegations are substantiated. These reporting opportunities include concerns that relate to human trafficking or other modern slavery practices.

Further information regarding our OpenLine processes is available on our corporate website [Ethics and Business Conduct - Northrop Grumman](#)

### **Assessing Effectiveness of Our Anti-Human Trafficking and Modern Slavery Efforts**

The Company has a variety of tools it uses to assess risk and the effectiveness of our policies and mitigation efforts, including those related to anti-human trafficking and modern slavery. They include compiling and assessing data on the nature and number of OpenLine complaints and the results of investigations into those complaints; our annual engagement surveys and compliance interviews; internal and external audits (of the Company and our supply chain); senior management and board oversight; our enterprise risk management council; our supplier assessment management system; and our supply chain leadership council, among others.

In 2022, the Company did not substantiate any incidents of modern slavery or human trafficking in our business or global supply chain.

We will continue to review and enhance, as necessary, our efforts to prevent human trafficking and other misconduct within our business and global supply chain, as we seek to progress our commitment to ethics and integrity, to performance and to our stakeholders, including our employees, our customers, our shareholders and the communities in which we operate.

### **Consultation and Approval**

Addressing and combatting the risk of human trafficking and other forms of modern slavery is a shared responsibility among the various elements of our global business. This Statement has been prepared with the benefit of enterprise-wide collaboration and consultation, and input from various parts of the Company, including our reporting entities under the Australian Modern Slavery Act and the UK Modern Slavery Act, procurement, employee management, HR, ethics and corporate responsibility, supply chain management, and the law department.

To review our prior Anti-Human Trafficking and Slavery Statements, please follow the links below.

- [2020 anti-human-trafficking-and-slavery-statement](#)
- [2019 anti-human-trafficking-and-slavery-statement](#)
- [2018-anti-human-trafficking-and-slavery-statement](#)
- [2017-anti-human-trafficking-and-slavery-statement](#)
- [2016-anti-human-trafficking-and-slavery-statement](#)

For additional information regarding our expectations of our suppliers and our commitment to human rights, please refer to the Northrop Grumman *Standards of Business Conduct*, our Human Rights Policy and the SSOBC.

- [NG Standards of BusinessConduct.pdf \(myngc.com\)](#)
- [Northrop Grumman Standards of Business Conduct for Suppliers](#)
- [Northrop Grumman Standards of Business Conduct for Suppliers and Other Trading Partners - Northrop Grumman](#)
- [Anti-Human Trafficking Compliance Requirements](#)
- [Northrop Grumman Human Rights Policy](#)

This statement was approved by the Board of Directors of NGC UK Limited and the Board of Directors of NGAPL on June 26, 2023 including on behalf of their respective wholly owned subsidiaries.

**Signed on behalf of the Board of Directors of NGAPL**

Signed,



Christine Zeitz

Director

**Signed on behalf of the Board of Directors of NGC UK Limited**

Signed,



Steven Spiegel

Director