

Ultra's Policy Statement on Ethics and Business Conduct

"The integrity of Ultra Electronics' businesses rests on the integrity of its employees."

Rakesh Sharma
Chief Executive

Code of Ethics and Business Conduct ("Ethics Code")

It is the policy of Ultra Electronics that all employees will comply with all laws governing its operations and will conduct business affairs in an ethical manner. The company and its employees will maintain high standards of personal conduct and integrity at all times in carrying out the company's affairs.

Ultra Electronics and its divisions and operating businesses require that all employees conduct themselves in ways that demonstrate high ethical standards in all of their dealings with customers, suppliers, governments, the public and each other. The integrity of Ultra Electronics' businesses rests on the integrity of its employees.



Rakesh Sharma
Chief Executive

Responsibilities

Although ultimate accountability for implementing Ultra's Ethics Code lies with the Ultra Group Board of Directors, responsibility is delegated to Managing Directors and Presidents who have total responsibility for the implementation and control of their respective businesses.

In particular, Managing Directors and Presidents must ensure that:

- A written and maintained Ethics Code exists for their business; is effectively implemented; and compliance is enforced.
- Employees are provided with clear guidelines on matters of everyday business conduct in order to help them operate in accordance with the Ethics Code.
- Through appropriate communication and/or training programmes, employees are aware of and understand the Ethics Code.
- Employees are provided with continuing advice and guidance on relevant policies and procedures.
- There is no retribution for reporting an alleged violation of the Ethics Code or other related company policies or procedures.

Line Managers and Supervisors are responsible for the implementation of the procedures relating to the Ethics Code within their department. Employees are also responsible for taking appropriate actions to comply with the Ethics Code within their business.

Monitoring and Support

The operation of the Ethics Code is monitored by the Ultra Group Board of Directors twice annually via a compliance report which is submitted by each Division. Businesses are responsible for conducting periodic reviews to ensure that high standards of ethical behaviour are maintained across all parts of the Group. Businesses are responsible for ensuring that appropriate support arrangements are in place including, but not limited to, advice and training.

Ultra's culture

"Ultra is committed to effective corporate governance. Having the right people, doing the right things and in the right way is at the core of Ultra's compliance framework. The Board sets the tone for ethical standards across the Group. High standards of integrity and ethical behaviour are expected from every employee. Ultra's values of responsibility, authority and accountability and an established commitment of **'delivering on our promises'**, promote and endorse this behaviour."

Douglas Caster
Chairman

Ultra defines its culture as the values, role models, processes, procedures and behaviours of its employees which drive the Group's success. Many individuals join Ultra each year through organic growth and acquisitions. Ultra is committed to ensuring that its culture is not diluted as the Group grows. To achieve this, Ultra has identified four cultural behaviours of its people which are highly valued and encouraged. These are **leadership, entrepreneurship, audacity and paranoia**. Together, they are known within the Group as **LEAP**. Prospective employees are assessed against these values as part of Ultra's rigorous recruitment process.



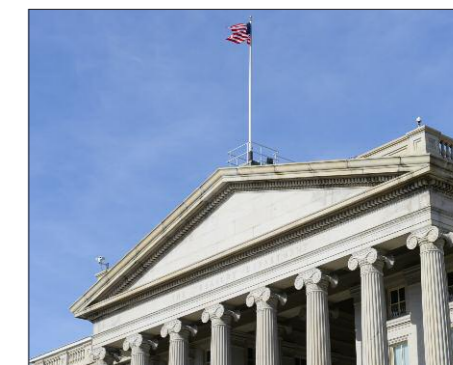
Ultra's compliance policies

Ultra's **Compliance Policies** (including **Anti-Corruption & Bribery, Competition & Anti-Trust, Offset, Anti-Slavery & Human Trafficking** and **Gifts & Hospitality**) provide guidance to Ultra's employees on legal and ethical matters. Ultra's Compliance Policies are stored on Ultra's intranet which can be accessed by every employee. Conflicts of interest (situations in which competing interests may impair an employee's ability to make objective and unbiased business decisions on behalf of the company) are sought to be avoided through Ultra's internal approvals and financial processes. Employees are encouraged to discuss potential or actual conflicts of interest with their Line Manager. Ultra adopts a rigorous integration process for newly acquired businesses which includes training on Ultra's policies. All policies are reviewed and updated (as required) annually by the Company Secretary & General Counsel. In addition, any reported breach of Ultra's policies and/or corruption would result in a review of Ultra's ethics processes and procedures.

Ultra does not make contributions to political parties. Ultra Electronics (USA) Group Inc. has established a Political Action Committee (the "PAC"). The PAC is a voluntary, not-for-profit, unincorporated political association which allows eligible U.S. personnel and directors of Ultra companies in the U.S. to contribute personal funds to support and encourage the election to federal office of persons who support the business concerns of the Ultra Electronics corporate family, as well as its activities in the Defense, Energy, and Transportation markets. All contributions are made on an individual and voluntary basis. The PAC is operated in compliance with legal and regulatory requirements.

Ultra only makes charitable donations that are legal and ethical under local laws and practices.

All **charitable donations** require the consent of the business' MD/President. The Chief Executive's consent is also required where the donation is greater than £2,500 (where there is no matching employee contribution) or greater than £10,000 (where there is a matching employee contribution).

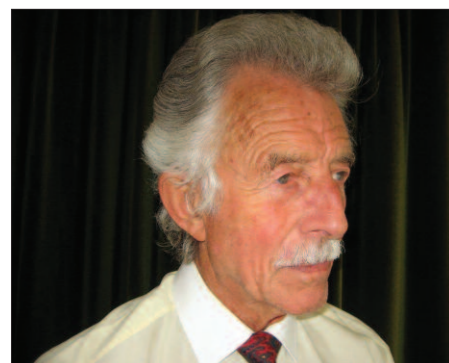


Ultra's businesses comply with the **U.S. Department of Treasury's Office of Foreign Assets Control (OFAC)** sanctions in regard to any person named on the Specifically Designated Nationals and Blocked Persons list (SDN) as well the Comprehensive and Non-Comprehensive sanctions programmes which prohibit or limit financial transactions and other dealings involving certain named countries. It is the responsibility of each business unit to proactively monitor existing and proposed transactions against the latest published lists. Businesses conduct due diligence on third parties to ensure compliance with OFAC and keep records of all checks made.



"Ultra does not make contributions to political parties."

Ultra's compliance process



David Shattock



Martin Bell



Major General Tim Cross

Ultra's robust compliance process supports, reinforces and monitors the upholding of ethical behaviour within Ultra:

Business Performance Reports

Every month, each and every business within the Ultra Group reports on its compliance with **Ultra's Compliance Policies**. Any non-compliances are investigated by the Company Secretary & General Counsel.

Board monitoring

Biannually, the Board reviews the businesses' compliance with **Ultra's Compliance Policies**.

Ethics Overview Committee

The Ethics Overview Committee was formed in 2008 with the remit to provide independent advice and scrutiny of Ultra's business activity, providing assurance that the Group's current and planned undertakings are conducted in a manner consistent with the legislative environment and are transparent. The Committee comprises six permanent members, three of whom, including the Chairman, are independent.

Independent members of Ultra's Ethics Overview Committee comprise of:

- **David Shattock**, ex-Chief Constable in command of Dyfed Powys and Avon & Somerset forces;
- **Martin Bell**, journalist and ex-independent MP for Tatton; and
- **Major General Tim Cross** (Retired), who commanded a Division of the UK Field Army.

The Committee members from Ultra are:

- **Rakesh Sharma**, Group Chief Executive;
- **Sharon Harris**, Group Company Secretary & General Counsel; and
- **Mike Baptist**, Managing Director of the Communication and Securities Division.

To maintain the highest degree of impartiality, the independent members of the Committee are self-selecting. The appointment of the Chairman is also exclusively within the remit of the independent members.

The Committee meets quarterly. It provides assurance that Ultra's business is being conducted in line with the Group's policies, processes and relevant legislation. It does this through discussions with senior managers, receiving reports and conducting visits to Ultra's businesses. The Committee undertakes a formal review of business activities. During these reviews, the independent members provide advice and guidance on the appropriateness of target markets and customers and on potential teaming partners. The Committee also considers the reports that come through the **EthicsPoint hotline**.

Internal Audit

The internal audit function, which is independent of the businesses and reports directly to the Audit Committee, provides assurance to the Board of the effectiveness of the Group's internal control environment. The programme of work undertaken by the internal audit function is approved in advance by the Audit Committee. All significant business units are audited by the internal audit function at least once every 2 years, while other businesses are audited on a 3 year cycle. In addition, all newly acquired free-standing businesses are audited within a year of their acquisition date. The internal audit function presents its findings to the Audit Committee twice annually. Progress reports on follow-up remedial actions are reported regularly to the Audit Committee. The internal audit function confirms whether appropriate action has been taken to address the risks when it next visits the business concerned.

"Ultra's robust compliance process supports, reinforces and monitors the upholding of ethics behaviour within Ultra."

Ultra's risk management

At Ultra, risk is identified, collated, assessed and managed at the most appropriate level of the business (Board, Executive or Business level) as part of the annual strategic planning process. Annually, businesses identify risks to the successful delivery of their strategic plan and these are assessed at the divisional level. Risks which are corporate in nature or which span Ultra businesses, are elevated to the Executive Team for management. Resulting strategic risks are assessed and reviewed by the Board.

Risks are reviewed regularly to ensure that they are relevant and appropriate mitigations are in place. Review of business activity and the management of resultant risk are also an integral part of Ultra's processes. Risks are considered and managed as business decisions are made.

Offset Commitment

Ultra may enter into offset commitments with third parties. Ultra is committed to ensuring that any offset activities it undertakes are lawful. Ultra has an Offset Policy in place which sets out the process to be followed before any offset commitment is incurred. This process addresses the: corruption risks associated with offset; due diligence to be undertaken; and authorisation levels. A dedicated Offset Co-ordination Team within Ultra monitors and maintains a record of all offset activity within the Group. This provides Ultra's Executive Team and Board with oversight of all offset activities within the Group.

Anti-Corruption Risk Assessment Procedure

Ultra applies due diligence procedures in respect of persons who perform or will perform services for or on its behalf ("Third Parties") in order to mitigate bribery risks. A proportionate and risk based approach is taken. Each prospective agreement is classified as high or low risk based on the Transparency International Risk Perceptions Index according to the country in which the Third Party is operating on Ultra's behalf. Ultra conducts a minimum level of due diligence on all Third Parties, including:

- Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up.
- References are obtained e.g. national trade associations and Government's overseas trade ministries.

In addition, in higher risk situations, Ultra's businesses engage a third party search company to carry out a more detailed search and any unusual facts or red flags raised by such search are followed up.

Due diligence on Third Parties is repeated at intervals of no more than 2 years. Agreements contain anti-bribery provisions which provide for termination in the event of anti-bribery breaches. Ultra operates a bid approval process, which includes an assessment of anti-bribery compliance risks.



"Internet based searches – records of such search results are retained and any unusual facts emerging from such searches are followed up."



Training

EthicsPoint helpline

All employees and Directors are required to complete **Ultra's on-line anti-bribery training** within one week of joining Ultra. Businesses confirm compliance with this requirement through the monthly Business Performance Reports. Any non-compliance with this requirement is investigated by the Company Secretary & General Counsel. Additional bespoke **anti-bribery training** is provided for those in higher risk roles, for example those who carry out overseas business. Ultra adopts a zero tolerance approach to bribery and corruption.

Training on Ultra's Compliance Policies is conducted periodically throughout the year by the Company Secretary & General Counsel. Commercial Managers within the businesses also conduct bespoke training on Ultra's Compliance Policies within their respective business.



“Additional bespoke anti-bribery training is provided for those in higher risk roles.”



WHAT HAPPENS IF I LET THIS GO?

THINK!
trust your instinct

Facing an ethical dilemma at work?
Unable to raise this with your line manager or HR department?
Contact the independent Ultra Electronics Employee Helpline:
www.ultra-electronics.ethicspoint.com

ethics·point
integrity at work

Ultra
ELECTRONICS

Employees are encouraged to report any instances of non-compliance with Ultra's Compliance Policies through their Line Manager. However, Ultra recognises that employees may not always feel able to do so. Ultra has, since 2010, operated an **anonymous and confidential phone and internet based reporting system** called the Ultra Electronics Employee Helpline, which is independently managed by a company called EthicsPoint. The system is designed to enhance communication and enable Ultra to promote safety, security and ethical behaviour. All reports registered through EthicsPoint are reviewed and responded to in a timely and appropriate manner. The responsibility for handling reports rests with Ultra's senior, independent Non-Executive Director (other than US security-related issues which are routed through the outside directors of the Special Security Arrangement Board or Proxy Board). No retaliatory action is taken against employees for making reports in good faith through EthicsPoint.

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