



## **OFFICE OF THE ADVISORY COMMITTEE ON BUSINESS APPOINTMENTS**

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### **BUSINESS APPOINTMENT APPLICATION: Admiral Sir Philip Jones, former Chief of Naval Staff and First Sea Lord**

1. The Committee has been asked to consider an application for advice under the Government's Business Appointment Rules (the Rules) from Chief of Naval Staff and First Sea Lord, Admiral Sir Phillip Jones on an appointment to join BAE Systems plc (BAES). The material information taken into consideration by the Committee is set out in the Annex.
2. The purpose of the Rules is to protect the integrity of the Government. As the former Chief of Naval Staff for the Ministry of Defence (MOD) (between 8 April 2016 - 19 June 2019), Admiral Sir Philip was responsible for matters affecting the Royal Navy and he is now seeking to join a company operating specifically in multinational defence, security, and shipbuilding.
3. Under the Rules, the Committee's remit is to consider the risks associated with the actions and decisions Admiral Sir Philip made during his time in office, alongside the information and influence he may offer BAES, based on the information provided by the MOD and Admiral Sir Philip.
4. The Committee considered whether this appointment was unsuitable given his former role as Head of the Royal Navy, but the Committee must also consider the information provided by the Department about his specific dealings with this employer and related decisions. The Committee has advised that a number of conditions be imposed to mitigate the potential risks to the Government associated with this appointment under the Rules; this does not imply the Committee has taken a view on the appropriateness of this appointment for the former Head of the Royal Navy in any other respect.
5. The Rules set out that Crown servants must abide by the Committee's advice. It is an applicant's personal responsibility to manage the propriety of any appointment. Former Crown servants are expected to uphold the highest standards of propriety and act in accordance with the 7 Principles of Public Life.

#### **The Committee's consideration of the risks presented**

6. BAES is a British multinational defence, security, and aerospace company. The company is the largest defence contractor in Europe and among the world's largest defence

companies. BAES has a strong commercial relationship with the UK Government and the MOD in particular. In 2019/20 BAE was the largest defence supplier in terms of annual spend made by MOD, which has been the case for over a decade. BAES received 13% (£3.7 billion) of the total MOD spend in 2019/20.

7. The Committee noted Admiral Sir Philip's relationship with BAES particularly with regard to the Global Combat Ship Programme (GCS Programme). The Committee was cognisant of his responsibilities as a member of the senior leadership of the MOD. There is no suggestion any decisions were made improperly. Nonetheless, it is relevant to the Committee's consideration that the MOD has a significant commercial relationship with BAES and he held a role in the senior leadership at the MOD. The GCS Programme is a tripartite agreement between the UK, Canadian and Australian Governments; and the UK MOD has entered into a contract with BAES to deliver a number of T-26 frigates. Admiral Sir Philip played an active role in the development of the GCS Programme's strategy and direction, including but not limited to his involvement in regular strategic reviews with BAES and Defence, Equipment and Support (DE&S) at the MOD on the delivery of this. However, the MOD confirmed he was not specifically responsible for decisions on the contracts involved, which fell to the MOD's DE&S. Specifically the MOD noted that DE&S and/or ministers would be responsible for any such decisions. It also confirmed the details Admiral Sir Philip provided and that rather than making decisions at these reviews, his role was more strategic. Whilst there is an overlap here given his role in the oversight of the relevant strategy where BAES is a significant operational partner, there is no evidence that Admiral Sir Philip made decisions or took action in office in expectation of this role.

8. As the former Head of the Royal Navy, the Committee noted Admiral Sir Philip will have significant knowledge of MOD capabilities and requirements, in particular but not limited to the Royal Navy. There is a considerable relationship between BAES and the MOD and BAES will continue to bid for future work with the MOD. There is a risk that BAES may look to gain insight from employing the former Chief of Naval Staff that it could not otherwise gain and which may provide a commercial advantage. The Committee recognised Admiral Sir Philip may have access to privileged information and insight from his time in office he could only know as a result of holding that role. On the basis of the information provided by him and the MOD, the Committee considered there were potential risks of unfair advantage to BAES associated with his privileged access to the MOD's thinking around future requirements to meet its strategic priorities, in particular in relation to the National Shipbuilding Strategy and associated contracts.

9. The Committee noted there are several mitigating factors raised by Admiral Sir Philip and the MOD which reduce the scope of the above mentioned risks:

- The MOD contacted Babcock Plc, who the MOD considered to be BAES' main competitor here and who Admiral Sir Philip also had a strategic relationship with in office. Babcock Plc raised no objection to Admiral Sir Philip taking up a role with BAES.
- Admiral Sir Philip has stated this role will not involve contact with the MOD and will be limited to advising on the international components of the GCS Programme.
- The MOD said Admiral Sir Philip does not have knowledge about the Integrated Review, nor access to specific commercial or policy information that would benefit BAES.
- Admiral Sir Philip has not had access to information since he left his role as Head of Naval Staff in June 2019.

- Much of the National Shipbuilding Strategy is public and the MOD confirmed that Admiral Sir Philip does not have access to any additional information on the current strategy or its direction of travel.
- There has been significant changes to policy and strategy since Admiral Sir Philip left office due to the passage of time and changes in administration
- The GCS programme forms a significant part of the National Shipbuilding Strategy and the MOD said Admiral Sir Philip's role would bring '*greater cohesion and rigour to the programme*' and have '*...benefits for the UK's prosperity and security, involving as it does the export of UK-manufactured capability to trusted overseas partners*'.
- As this role is limited to the GCS programme, of which BAES is currently a partner, the company would have significantly more up to date information than Admiral Sir Philip would, having left his role June 2019.

10. The Committee considered whether there was a risk Admiral Sir Philip may have privileged insight and influence that could be seen as offering an unfair advantage. The Committee took into account the time that has passed since Admiral Sir Philip left office, the specific parameters of the role and the conditions that will be put in place. These risks would most likely arise should Admiral Sir Philip provide advice specific to the MOD, or have direct engagement with the MOD on BAES' behalf. Overall, the Committee considered that, should Admiral Sir Philip's role be limited to advising on the international aspect of the GCS Programme, these risks would be significantly reduced.

### **The Committee's Advice**

11. The Committee took into consideration this role would support the Government's and specifically the MOD's strategic priorities in the delivery of a major defence contract the international roll out of which will contribute to the UK's wider prosperity and security. However, with that overlap comes significant risks under the Rules.

12. Admiral Sir Philip confirmed to the Committee he will not draw on sensitive information nor lobby the MOD or UK Government in relation to BAES' interests and the Committee has advised the specific conditions be imposed below. The Committee considered it would be improper for him to advise BAES on matters outside the GCS programme. Admiral Sir Philip has stated both he and BAES understand their obligations under the Rules. He has been clear his role will be limited to the international elements of the GCS programme and this is reflected in the conditions below.

13. Because of the specific focus of BAES' commercial activity and its vast commercial interest in the work of the MOD, including the Royal Navy, the Committee considered it was necessary to put a significant gap between his time as a senior MOD leader with access to information and his joining BAES. The Committee noted Admiral Sir Philip left his post as Chief of Naval Staff and First Sea Lord in June 2019, before leaving Crown service in January 2020. Given the significant overlap between the company's work and his role at the MOD, the Committee considered the appropriate gap would be a waiting period of 12 months from his last day in Crown service with the MOD, which has now elapsed.

14. Under the Government's Business Appointment Rules, the Committee's advice to the Prime Minister is that Admiral Sir Philip's appointment should be subject to the following conditions:

- a 12 month waiting period from his last day in Crown service;

- he should not draw on (disclose or use for the benefit of himself or the organisations to which this advice refers) any privileged information available to him from his time in Crown service.
- for two years from his last day in Crown service, he should not become personally involved in lobbying the UK Government or the UK MOD on behalf of BAE Systems or its partners, or trading funds. Nor should he make use of, directly or indirectly, of his contacts in the Government and/or Crown Service to influence policy, secure funding/business, or to otherwise unfairly benefit BAE Systems.
- for two years from his last day in Crown service he should not undertake any work that involves providing advice to BAE Systems on the terms of, or with regard to the subject matter of, a bid with or contract relating directly to the work of, the UK MOD or its trading funds. For the avoidance of doubt this would include in relation to any extension or amendment to the terms of the current Global Combat Ship Programme with the UK MOD or its trading funds.
- for two years from his last day in Crown service, his role will be limited to providing advice on the development and delivery of the Global Combat Ship Programme to international partners and the international sales of the programme. He should not become involved in, or advise BAE Systems (or its subsidiaries, partners; and clients) on any other matters.

15. By 'privileged information' we mean official information to which a Minister or Crown servant has had access as a consequence of his or her office or employment and which has not been made publicly available. Applicants are also reminded that they may be subject to other duties of confidentiality, whether under the Official Secrets Act or otherwise.

16. The Business Appointment Rules explain that the restriction on lobbying means that the former Crown servant/Minister "*should not engage in communication with Government (Ministers, civil servants, including special advisers, and other relevant officials/public office holders) – wherever it takes place - with a view to influencing a Government decision, policy or contract award/grant in relation to their own interests or the interests of the organisation by which they are employed, or to whom they are contracted or with which they hold office.*"

17. The MOD should ensure we are informed as soon as Admiral Sir Philip takes up this position, or if it is announced that he will do so. We shall otherwise not be able to deal with any enquiries, since we do not release information about appointments which have not been taken up or announced, and this could lead to a false assumption being made about whether he had complied with the Rules.

18. I should also be grateful if the MOD would ask that Admiral Sir Philip informs us if he proposes to extend or otherwise change the nature of his role as, depending on the circumstances, it may be necessary for him to make a fresh application.

19. Once this appointment has been publicly announced or taken up, we will publish this letter on the Committee's website, and where appropriate, refer to it in the relevant annual report.

**Sam Lynch**

**Committee Secretariat**

## **Annex A - Material information**

### **Responsibilities in office**

1. Admiral Sir Philip Jones was Chief of Naval Staff and First Sea Lord for the Royal Navy from 8 April 2016 to 19 June 2019. His last day in Crown service was 2 January 2020. He confirmed the only contact he had with the Ministry of Defence (MOD) or the Royal Navy on official matters since he left post as Chief of the Air Staff in July 2019 was to attend the First Sea Lords' Honours Committee and to meet twice with his successor on matters that the MOD confirmed were not relevant to this application.

2. As Chief of Naval Staff for the Royal Navy and First Sea Lord, he was responsible to the Secretary of State for Defence for the effectiveness of the Naval Service and advised the Chief of the Defence Staff on maritime aspects of all operations. As the professional head of the Royal Navy Chairman of the Navy Board he was top level budget holder for the Navy Command and member of the Chiefs Staff Committee - with responsibility for the Royal Navy's £6.4Bn budget and its 30,000 people. Admiral Sir Philip held full command of all ships, submarines, naval aircraft and Royal Marines Units: delegate operational command of these units to relevant national, joint and allied commanders, responsible for force generation of all fleet units, to include manning training and sustaining them for appropriate operational tasking.

### **The Application**

3. Admiral Sir Philip requested the Committee's advice on taking up a role with BAE Systems (BAES), as Senior Military Advisor.

4. BAES has a strong commercial relationship with the UK Government and the MOD in particular. For example, in 2017/18 the MOD spent nearly £20 billion with industry, accounting for over 40% of all UK Government procurement spend and representing the fifth biggest defence budget in the world. The size and complexity of the MOD's projects means it works closely with many suppliers - of which BAES is one. For example, BAES is a key supplier to the Royal Marines on the submarine programmes and a key supplier to the Royal Air Force on the Future Combat Air Strategy and the Military Flying Training System. Further, BAES (Applied Intelligence) is a key provider of cyber security services to the UK Government.

5. Specifically, BAES' Maritime Division designs, manufactures and supports complex surface ships, submarines, torpedoes, radar and command and combat systems. BAES also provide ship repair, maintenance and upgrade services, and are a supplier of naval gun systems, as well as being a provider of commercial shipbuilding.

6. The design phase of the GCS programme was awarded to BAES in March 2010, before Admiral Sir Philip was Chief of Naval Staff, with wider UK Government support detailed in the October 2010 Strategic Defence and Security Review. In July 2017 BAES was awarded the manufacturing contract for the T26 Frigates by the MOD. The initial contract for £3.7bn was to build 3 frigates with the overall goal of building 8 frigates which the Chief Executive of Defence Equipment & Support (DE&S) stated represented "*£8 billion-worth of planning going forward*". The T-26 frigates will replace the Royal Navy's current T-23s. This project currently involves over 100 different companies, with the ships being constructed in Glasgow. The BAES Global Combat Ship programme (GCS programme) is developing 32 ships in total with the other ships being for Australia and Canada. BAES is delivering 9 ships for the Royal Australian Navy under a AU\$35 billion contract. Canada has selected the BAES Type 26 design for the Canadian Surface

Combatant under a subcontract from Lockheed Martin, Canada. BAES is the warship designer for the 15-ship programme for the Royal Canadian Navy in an initial three-year contract.

### **The role with BAES**

7. Admiral Sir Philip stated this would be a paid, part-time role as Senior Military Advisor working on the delivery and governance of the Global Combat Ship Programme. He stated the role would *'Build trusted relationships with international governments, armed forces and customers. Support establishment of the international component of the Global Combat Ship programme, and look to utilise this in support of potential further international sales of the GCS.'* He stated he will advise the BAES Maritime and Land Board on matters only relating to the international components of the GCS programme and the potential for further international sales.

8. In addition he added he would not have any contact with the UK MOD in this role stating *"I am content to recuse myself from any involvement in any lobbying of Government, or advising on bids and contracts, while working to build the trusted relationships in support of the GCS programme which are implicit in the role"*.

### **Dealings in office**

9. Admiral Sir Philip stated he had routine (3-6 monthly) catch up meetings with both the Chairman and CEO of BAES to discuss matters of mutual interest and check on Royal Navy priorities. He stated there were also 6 monthly T26 strategic review meetings co-chaired with the CEO of BAES and Chief Executive of DE&S. Admiral Sir Philip stated *'The T26 Strategic Review meetings did not do formal and detailed reviews of performance against contract and did not make any decisions on delivery timeframe or adequacy of provision.'* He said these meetings were intended to ensure that there were no impediments on any side to the smooth running of the T26 programme through design and fabrication. Admiral Sir Philip stated his principal concern at these meetings was *"personnel performance, training, information and doctrine lines of development as contributors to the overall programme"*. He said specific concerns over performance, cost and time in contract delivery were a DE&S lead, who owned the contract, and he was not party to those.

10. Admiral Sir Philip stated he was chairman of the National Shipbuilding Strategy Client Board, supervising the construction of the outline 30 year shipbuilding master plan. The National Shipbuilding Strategy is a public document that outlines the UK's ambition to *'transform the procurement of naval ships, make the UK's maritime industry more competitive, grow the Royal Navy fleet by the 2030s, export British ships overseas, and boost innovation, skills, jobs, and productivity across the UK'*. This was first published in 2017, and a review by John Parker in 2019 was later published.

11. Admiral Sir Philip also stated he had knowledge of the governance arrangements for the T31 general purpose frigate competitive design phase. He noted that the T31 contract has since been let to Babcock, who are currently working on the T31 frigates. Though Admiral Sir Philip noted he had oversight of the T31 programme he confirmed he had no involvement in the contract decisions which were handled by DE&S.

12. The MOD and its Business Appointments Panel considered Admiral Sir Philip's application. The MOD confirmed the information he provided above. Further, the MOD provided the following information:

- He would have had high level strategic responsibilities for Royal Navy deliverables and high level interaction with BAES with regard to the GCS Programme (though not at a contractual level).
- The MOD also confirmed it had approached Babcock PLC as the main competitors for BAES particularly as the company responsible for the T31 frigates. They raised no concerns about the appointment. Further, the MOD considered there were no specific commercial competitions in this space that would give rise to a commercial advantage as a result of Admiral Sir Philip's time in office.
- The MOD stated this role has '*great benefit as a UK National enterprise, and would help link the MOD, the Royal Navy and BAES with their Australian and Canadian counterparts*'. It stated the role would bring greater rigour and cohesion to the GCS programme.
- The MOD said there was a high risk around the perception of reward here given the seniority in post and that BAES are a key supplier to the MOD, though confirmed Admiral Sir Philip did not have involvement in commercial negotiations as Chief of Naval Staff.
- The MOD said that whilst Admiral Sir Philip had access to information on the National Shipbuilding Strategy it has been updated several times since Admiral Sir Philip left office. Further it stated that Admiral Sir Philip has no knowledge of the contents of the Integrated Review which will set policy for shipbuilding.
- The MOD stated that Admiral Sir Philip taking up this role would have "*...benefits for the UK's prosperity and security, involving as it does the export of UK-manufactured capability to trusted overseas partners*'.

13. The MOD business appointments panel recommended that, to take up this role, Admiral Sir Philip must:

- Not draw on privileged information from his time in office;
- Not influence policy or securing funding or business on behalf of BAES.
- Not advise on bids or contracts related to the work of the MOD or its trading funds
- Wait for a period of 12 months from his last day in post before he take up the proposed appointment
- Shape/re-shape the proposed role so that:
  - It is consistent with the above conditions
  - It does not involve working on any commercial negotiations with the UK MOD relating to the GCS programme
  - Any contact with the UK MOD does not involve working to influence the commercial arrangements between the UK MOD and BAES for the GCS programme