

Sustainability Accounting Standards Board (SASB) Disclosure 2023

BAE Systems plc
Industry: Aerospace and Defence



Topic	Metric	BAE Systems Response	Code
Energy Management	<p>(1) Total energy consumed (gigajoules)</p> <p>(2) Percentage grid electricity (%)</p> <p>(3) Percentage renewable (%)</p>	<p>(1) 4,735,989 gigajoules Total energy consumed – Scope 1 and 2. This disclosure is consistent with the corresponding disclosure in our 2023 Annual Report (which reports in kilowatt hours rather than gigajoules). See page 51 of our 2023 Annual Report.</p> <p>(2) 57.4%</p> <p>(3) 8.9%</p> <p>Notes: (2) (3) These figures are different from the corresponding figures on page 51 of our 2023 Annual Report in order to comply with the different SASB reporting requirements. (3) The reported percentage includes renewable electricity that is directly produced by the Company and REGO backed renewable energy purchased by the Company.</p>	RT-AE-130a.1
Hazardous waste management	<p>(1) Amount of hazardous waste generated (metric tonnes, T),</p> <p>(2) percentage recycled (%)</p>	<p>(1) Hazardous waste generated: 9,308T</p> <p>(2) Percentage recycled: 48.49%</p> <p>Hazardous waste is defined by reference to relevant local laws and regulations. The reported percentage recycled includes non-hazardous and hazardous waste recycling. See page 51 of our 2023 Annual Report.</p>	RT-AE-150a.1
	Number of aggregate quantity of reportable spills, quantity recovered	<p>0 reportable spills (following CERCLA requirements) in respect of US facilities where we have operational control.</p> <p>CERCLA only applies in the US. We can confirm that in other jurisdictions in which we operate, zero spills occurred in 2022 requiring enforcement action under relevant local environmental legislation.</p>	RT-AE-150a.2
Data security	<p>(1) Number of breaches</p> <p>(2) Percentage involving confidential information</p>	<p>We do not put this information in the public domain due to confidentiality and security reasons.</p>	RT-AE-230a.1

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<p style="text-align: center;">Data security</p>	<p>Description of approach to identifying and addressing data security risks in (1) company operations (2) products</p>	<p>(1) Company operations As a major defence, aerospace and security company, it is critical that the Group’s information technology and operational technology (IT & OT) infrastructure, as well as the products and services it sells, are cyber resilient and the proprietary, classified, confidential or otherwise protected information, intellectual property and personal data held and processed on them are appropriately secured.</p> <p>The security of the Group’s products and services, data, facilities and IT & OT infrastructure underpins our protective security strategy and influences its engineering, technology, and digital strategies. Our cyber security strategy identifies stakeholder trust in our business and our products as a fundamental enabler to meeting our Group strategy.</p> <p>We constantly review our cyber security risk and take an agile, proactive approach to mitigating the risk. We do this by efficiently leveraging our core internal capabilities in cyber security, including our specialist threat intelligence service, to maintain a managed risk position as we digitally transform and the threat landscape evolves. For further details, please see our principal risks on pages 70 to 77 of our Annual Report.</p> <p>Our internal Cyber Security Standards are aligned to the National Institute of Standards and Technology Framework and a formal, three layers of defence assurance programme, which is reviewed both internally and externally, is operated to check adherence to these standards and customer requirements. To further increase cyber resilience, the Group’s Security Operations Centres perform continual monitoring of activity on core networks.</p> <p>(2) Products Product data security risks and vulnerabilities come together as an aspect of Product Security Engineering, which is the ability of a product to remain appropriately secure and resilient within its intended operational environment.</p> <p>Our Product Security Engineering principles are the foundation of how we work with our customers and supply chain partners where contracted to design, develop, manufacture and support our products and services throughout the product lifecycle, and to ensure the product can, in line with our contractual obligations, address the continually evolving threat of cyber-attack.</p> <p>Engineering teams use a number of sources for threat intelligence, including HMG/MoD supplied data, open source threat intelligence and Technology Focussed Threat Intelligence Reports which are produced internally. Threat intelligence can be used to help evaluate exposure to threat actors and vulnerabilities, which can be mitigated by putting appropriate safeguards in place.</p>	<p style="text-align: center;">RT-AE-230a.2</p>

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Data security		Product performance, including for product data security, is jointly agreed, as part of the contract with the customer, throughout a product development lifecycle at the point of contractual negotiations, certification and acceptance. Where the Company is made aware of customer data security incidents, we will, where possible, support analysis and mitigation as required.	RT-AE-230a.2
Product safety	Number of recalls issued Total units recalled	We do not put this information in the public domain due to commercial confidentiality. BAE Systems' Engineering function actively addresses and monitors product safety issues across the business and works with customers and suppliers to address any issues raised or identified.	RT-AE-250a.1
	Number of counterfeit parts detected Percentage avoided	We seek to prevent the use of counterfeit parts, through contractual requirements within our Standard Conditions of Purchase as well as through our Supplier Principles – Guidance for Responsible Business (Supplier Principles). We expect our suppliers to develop, implement and maintain methods and processes appropriate to their products to prevent counterfeit parts and materials being delivered. Effective processes should be in place to detect, report and quarantine counterfeit parts and materials and prevent such parts from re-entering the supply chain. BAE Systems expects our suppliers to only use parts from Original Equipment or Component Manufacturers or their authorised sources, and to comply with applicable laws, regulations, and industry 'best practice' protocols when conducting business with BAE Systems. We expect suppliers to inform us immediately if counterfeit parts and/or materials are detected or suspected. https://www.baesystems.com/en/sustainability/responsible-supply-chain/suppliers/supplier-principles .	RT-AE-250a.2
		Our supply chain management starts with our Global Procurement Policy which defines the requirements to be implemented by each of our sectors for the establishment of procurement control and the management of supplier-related risk. Our Global Procurement Policy requires our sectors to communicate our Supplier Principles – Guidance for Responsible Business to our suppliers. During the second half of 2023, we commenced an annual risk-based assurance activity to test our suppliers' adoption of these principles and to identify any risk areas that required investigation and/or mitigation. We completed this assurance activity with suppliers representing more than 30% of our global spend.	RT-AE-250a.2

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Product safety	Number of Airworthiness Directives received Total units affected	<p>Civil Airworthiness Directives 4 new United Kingdom issued directives in 2023 for legacy supported aircraft or aircraft currently operated.</p> <p>4 Directives: AD References: G-2023-0002, G-2023-0003, G-2023-0004R1 and G-2023-0006 3 units affected (Platforms) Applicable to CAT Boeing Aircraft: FAA AD 2023-06-15, FAA AD 2023-10-02, FAA AD 2023-12-13, FAA AD 2023-13-05</p> <p>Note: In relation to military products, and any airworthiness notifications from the relevant military airworthiness authorities, we do not put this information in the public domain due to confidentiality and security reasons.</p>	RT-AE-250a.3
	Total amount of monetary losses as a result of legal proceedings associated with product safety	We do not put this information in the public domain due to commercial confidentiality.	RT-AE-250a.4
Fuel economy and emissions in use-phase	Revenue from alternative energy-related products	<p>US\$245m in 2023 revenues.</p> <p>This relates to hybrid-electric, fully electric and other fuel alternative products.</p>	RT-AE-410a.1
	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	<p>We recognise that our value chain contributes to our total GHG emission footprint beyond that of our Scope 1 and 2 emissions. We acknowledge the importance of continuing to partner and collaborate with our customers and suppliers to reduce emissions by 2050.</p> <p>According to external studies, approximately 65%¹ of defence industry emissions come from downstream customer use of products/platforms. To address this requires collaboration with our customers and across the wider defence sector while recognising that operational performance and capability must always take precedence.</p> <p>In Australia, the Kingdom of Saudi Arabia and the UK, we have undertaken a programme of work to understand the GHG profile of material products. This helps us understand how to decarbonise our products and Identify how we can support future customer decisions and investment in product upgrades and development to support their decarbonisation.</p>	RT-AE-410a.2

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Fuel economy and emissions in use-phase		<p>We are innovating to drive decarbonisation of products and services, and reduce the dependency on fossil fuels. This will be achieved by:</p> <ul style="list-style-type: none"> • Energy optimisation • Alternate fuels • Developing electrification programmes <p>Although the continued progression to lower and zero emissions products and technologies for the defence sector will require a significant transition it is anticipated it may lead to revenue opportunities for the Group over the long-term.</p> <p>1. Roland Berger – Defence Zero Volume 1: Military emissions and potential solutions.</p>	
Materials sourcing	Description of the management of risks associated with the use of critical materials	<p>We conduct supply chain risk assessments and work with suppliers to address any identified key risks to their businesses and supply to our programmes which would include risk associated with the supply of critical materials. Therefore, critical materials are considered as part of a broader corporate approach to monitoring supply chain risk. The challenge of limited or sole source supplies of raw materials remains, due to the nature of some of the products manufactured by the Group, which are often of a unique specification, and frequently supplied at low volumes. To address this, we have a multi-faceted risk management programme that seeks to: aggregate risk across the enterprise using proactive intelligence; manage continuity of supply; and illuminate lower-level supply chain tiers to help us to understand the relationships within our supply chain. We pay specific attention to single and sole source critical goods and services procured through the supply chain, to ensure that the risk is fully understood and adequate contingency and risk mitigation plans are in place and can be enacted if required to manage programme delivery. For example, after identifying a category risk associated with semiconductor chip shortages and increasing semiconductor chip demands, we developed and implemented a risk mitigation plan that has reduced the supply chain risk across our Group programmes.</p> <p>The external supply chain environment is very dynamic, with both lead-time and availability challenges, but also pricing pressures, including from inflationary increases in labour, energy and other key materials. We continue to monitor these risks. In many cases, the Group benefits from long-term programme positions and incumbencies with more stable forward visibility for long-lead items allowing us to continue to actively manage supplier lead times against demand requirements.</p>	RT-AE-440a.1 RT-AE-440a.1
Business ethics	Total amount of monetary losses as a result of legal proceedings	We do not put this information in the public domain due to commercial confidentiality.	RT-AE-510a.1

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Business ethics	associated with incidents of corruption, bribery, and / or illicit international trade		
	Revenue from countries ranked in the 'E' or 'F' Band of Transparency International's Government Defence Anti-Corruption Index	<p>As stated on page 162 of our 2023 Annual Report, our revenues from Saudi Arabia and Qatar (which constitute substantially all of our revenues from countries in Bands "E" and "F") are as follows: Saudi Arabia - £2,687m Qatar - £450m</p> <p>We do not put revenues from other countries in these Bands in the public domain due to commercial confidentiality.</p> <p>Robust governance remains at the core of our business and is a foundation of our sustainability agenda. We are committed to ethical and responsible behaviour in all aspects of what we do. Our industry is amongst the most highly regulated of any sector, and we always strive to comply with and often exceed the requirements of applicable laws and regulations. Our Operational Framework sets out our approach as well as the policies, processes and standards to which we adhere, which apply everywhere we operate. Our Code of Conduct and Supplier Principles – Guidance for Responsible Business outline expectations for all our employees and partners. For more information please see: https://www.baesystems.com/en/sustainability/governance/ethics-and-anti-corruption and our 2023 Annual Report.</p>	RT-AE-510a.2
	Discussion of processes to manage business ethics risks throughout the value chain	<p>We support our employees in understanding the vital role they have to play to conduct business in an ethical and responsible way. We have a zero tolerance policy regarding corruption in all its forms.</p> <p>Our anti-corruption programme is designed to ensure we adhere to all relevant legal and regulatory requirements recognising the bribery and corruption risks the Group faces. The programme provides our employees with practical guidance, helps them to understand what is expected of them and creates an environment where they feel they can confidently, and confidentially if needed, ask questions and raise concerns.</p> <p>We regularly test the effectiveness of our programme through internal and external oversight and assurance, including encouraging feedback from our employees and from independent third parties. Risk-based due diligence procedures have been implemented to address bribery, corruption and other financial and non-financial risk, and our policies include processes for risk-based internal and external approvals, ongoing monitoring and repeat due diligence.</p>	RT-AE-510a.3

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Business ethics		<p>We drive improvements in the programme annually to ensure it continues to meet best practice. Our anti-corruption programme also includes our Code of Conduct and ethics training, and is firmly embedded in our Operational Framework.</p> <p>Our ambition is to be responsible and sustainable across our global business. We cannot achieve this alone, therefore it is important that we collaborate and partner with suppliers to make a positive business impact, and the steps we are taking are detailed below.</p> <p>In 2023, we spent £14bn with 21,500 directly contracted suppliers worldwide.</p> <p>These relationships are often long lasting due to the complexity of our products and their long lifecycles, so it is critical that our suppliers share our values.</p> <p>Our supply chain management starts with our Global Procurement Policy which defines the requirements to be implemented by each of our sectors to support the management of supplier-related risk.</p> <p>At the contracting stage, we stipulate our expectation that suppliers embrace our standards on ethical behaviour, including those set out in our Supplier Principles.</p> <p>During 2023, we undertook an annual risk-based assurance activity to test our suppliers' adoption of these principles and to identify any risk areas that required investigation and/or mitigation.</p> <p>We completed this assurance activity with suppliers representing more than 30% of our global spend.</p> <p>Additionally, our standard terms and conditions require suppliers to comply with all applicable laws and regulations, including those related to anti-bribery and corruption, human rights, anti-slavery and the environment.</p> <p>Our approach to how we manage business ethics risks throughout our value chain can be found in 'Our approach to ethics and anti-corruption' brochure found here: https://www.baesystems.com/en/sustainability/governance/ethics-and-anti-corruption</p>	
Production by reportable segment		<p>A broad range of products and components are produced by the Company annually in the various product categories. Products, and numbers of products produced, can be security classified and customer confidential, and so are not disclosable. Therefore limited examples of units of key products, or subunits of key products which were produced in 2023 across the portfolio of ground vehicles, aircraft, maritime vessels, aircraft components and space and weapons systems are set out below, by reference to our 2023 Annual Report.</p> <p><u>Combat vehicles</u></p>	

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<p>Production by reportable segment</p>		<p>BAE Systems manufactures a broad range of ground vehicles, in the US and Sweden. Examples of key activities in this segment in 2023 include the build and upgrade of tracked vehicles, such as:</p> <ul style="list-style-type: none"> • Bradley Fighting Vehicles and M88 recovery vehicles; • M109 self-propelled howitzers and Armored Multi-Purpose Vehicles; • Amphibious combat vehicles for the US Marine Corps and international customers. • CV90 and BvS10 combat vehicles by the Hägglunds business in Sweden; and • Vehicles for the British Army through a joint venture with Rheinmetall. <p><u>Aircraft</u></p> <p>BAE Systems manufactures aircraft, as well as major subcomponents of such aircraft in international collaborations. Examples of product delivery activities in 2023, by aircraft type, include:</p> <ul style="list-style-type: none"> • Typhoon and Hawk aircraft programmes: <ul style="list-style-type: none"> • Qatar Typhoon and Hawk programmes continued. Ten further Typhoon deliveries took place in the year, with a total of 18 aircraft now in service with the Qatar Emiri Air Force • Manufacture of Typhoon major units and final assembly of aircraft. • Expansion of the capabilities of Typhoon with the E-Scan radar and ongoing development of new technologies aligned with the UK Combat Air Strategy and capabilities required for the Global Combat Air Programme (GCAP). • F-35 aircraft programme: <ul style="list-style-type: none"> • Design and manufacture of sub-assemblies in the UK, including the aft fuselage and empennage – 162 aft fuselages completed in 2023. • Provision of equipment in the US, including the electronic warfare suite. • Tempest aircraft programme: <ul style="list-style-type: none"> • The Tempest programme is progressing, with the development of a new flying combat air demonstrator, set to fly within the next four years • Together with our partners we are currently working on more than 60 technology demonstrations, and we are operating under an initial Concept and Assessment Phase contract. 	<p>RT-AE-000.A</p>

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<p>Production by reportable segment</p>		<p><u>Maritime vessels</u> BAE Systems manufactures and supports ships, and manufactures submarines, including in 2023:</p> <ul style="list-style-type: none"> • The Type 26 programme continues in the UK with construction underway on the first four City Class Type 26 frigates • The Hunter Class Frigate programme is progressing in Australia with construction commencing during the year on the first schedule protection block following successful completion of the Preliminary Design Review • Provider of the warship design for the Canadian Surface Combatant programme • The fifth Astute Class submarine, HMS Anson, has commenced sea trials. The remaining two submarines, Agamemnon and Agincourt, are at an advanced stage of construction. • Manufacture of the first three Dreadnought Class boats is underway Early design and mobilisation activities are underway on the SSN-AUKUS programme, which will deliver a replacement for the Astute Class <p><u>Vehicle and aircraft components</u> A broad range of vehicle and aircraft components are supplied, including in relation to military and civil aircraft, as well as vehicles, including electric drive propulsion systems for urban bus fleets, maritime vessels, urban aircraft and military vehicles. By way of example:</p> <ul style="list-style-type: none"> • F-35 electronic warfare systems are supplied, of which the cumulative programme deliveries surpassed 1,400 electronic warfare systems as of year-end 2023. • Under the Compare Call programme we successfully delivered the first of 10 EA-37B aircraft to the US Air Force for formal combined developmental and operational testing <p><u>Weapon systems</u> A broad range of gun systems, weapons systems and munitions are supplied to key government customers, including in the US, UK, India and Sweden.</p> <p><u>Space</u> Leading capabilities in radiation-hardened electronics for spacecraft and satellites. Our orbital expertise combined with next-generation ground resiliency and data analytics solutions help to keep assets performing effectively in the harsh environments of space.</p> <p>Our Digital Intelligence business is developing Low Earth Orbit satellites for the defence market.</p>	<p>RT-AE-000.A</p>

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Production by reportable segment		The acquisition of Ball Aerospace, a leading provider of mission-critical space systems and defence technologies, adds significant additional capabilities in the design, build and operation of satellites and satellite systems.	
Number of employees		99,800 as at 31 December 2023, including share of equity accounted investments.	RT-AE-000.B