

Sustainability Accounting Standards Board (SASB) Disclosure 2022

BAE Systems plc

Industry: Aerospace and Defence

BAE SYSTEMS



| 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) 5,289,794 gigajoules Total energy consumed – Scope 1 and 2. This disclosure is consistent with the corresponding disclosure in our 2022 Annual Report (which reports in kilowatt hours rather than gigajoules). See page 52 of our 2022 Annual Report.</p> <p>(2) 59.74%</p> <p>(3) 19.2%</p> <p>Notes: (2) (3) These figures are different from the corresponding figures on page 52 of our 2022 Annual Report in order to comply with the different SASB reporting requirements.</p> <p>(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: 5,072T</p> <p>(2) Percentage recycled: 69.85%</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 52 of our 2022 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> | We do not put this information in the public domain due to confidentiality and security reasons. | RT-AE-230a.1 |

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| Data security | Description of approach to identifying and addressing data security risks in (1) company operations (2) products | <p>(1) Company operations</p> <p>Cyberspace is an increasingly contested environment with criminals, hacktivists and sub-threshold activity from nation states being a significant threat. As a major defence, aerospace and security company, it is critical that our Company networks, as well as the products and services we sell, are cyber resilient and the intellectual property and confidential information held and processed on them is appropriately secured.</p> <p>Our governance model and organisational structure (through the Chief Technology and Information Officer) is designed to facilitate close alignment between company strategy and the resulting engineering, technology, and digital and cyber security strategies. Our digital and cyber security strategies identify trust in our business and our products as a fundamental enabler to meeting our company strategy.</p> <p>The Cyber Security risk is constantly reviewed and an agile, proactive, approach to mitigating the risk is taken. 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.</p> <p>Our internal Cyber Security Standards for Company networks are aligned to National Institute of Standards and Technology framework and controls and a formal, three layers of defence assurance programme is operated to check adherence to Company standards and customer requirements, which is reviewed both internally and externally. Additionally, many of our networks are formally accredited by our government customers.</p> <p>To further increase our cyber resilience, our Security Operations Centres in the UK and the US perform continual protective monitoring of our core networks. In the event of a cyber-incident, we have a Cyber Incident Response plan which feeds into the Group’s crisis management plan if required. Regular exercises are conducted across the business to test the Cyber Incident Response plan including up to the Executive Committee.</p> <p>Education and awareness to embed a strong cyber security culture across the Company is another vital part of our activities. We take a holistic approach providing training coupled with events and activities to drive better engagement and learning outcomes. We strive for the training to be relatable, both on a professional and personal level, so that hybrid working employees maintain a strong sense of cyber awareness whether at home or in the office. Employees are subject to mandatory training which, depending on role, covers cyber security, physical security, document marking, security of export controlled information, and personal data protection. As many cyber-attacks still involve email, we run a programme of phishing exercises for all email users across the enterprise.</p> | RT-AE-230a.2 |

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| Data security | | <p>There is a global shortage of skills in cyber security and we actively work with a variety of groups including NCSC's Cyber First programme for young people in the UK to increase the size and diversity of the cyber workforce.</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, to ensure the product can, in line with our contractual obligations, address the continually evolving threat of cyber-attack.</p> <p>BAE Systems Digital Intelligence provides a Technology Focussed Threat Intelligence service. This information can be used to help evaluate product exposure to threat actors and vulnerabilities, which can be mitigated by putting appropriate safeguards in place.</p> <p>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 are potentially able to support analysis and mitigation as required.</p> | RT-AE-230a.2 |
| Product safety | Number of recalls issued Total units recalled | <p>We do not put this information in the public domain due to commercial confidentiality.</p> <p>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.</p> | RT-AE-250a.1 |
| | Number of counterfeit parts detected Percentage avoided | <p>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 Response 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</p> | RT-AE-250a.2 |

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| Product safety | | <p>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. 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 2022, 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.</p> | RT-AE-250a.2 |
| | <p>Number of Airworthiness Directives received Total units affected</p> | <p>Civil Airworthiness Directives 10 new United Kingdom issued directives in 2022 for legacy supported aircraft or aircraft currently operated.</p> <p>10 Directives: AD References: G-2021-0016R1, G-2022-0018, G-2022-0012, G-2022-0013, G-2022-0014, G-2022-0015, G-2022-0016, 2022-05-04, 2022-06-06 and 2022-24-09 4 units affected (Platforms)</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 |
| | <p>Total amount of monetary losses as a result of legal proceedings associated with product safety</p> | <p>We do not put this information in the public domain due to commercial confidentiality.</p> | RT-AE-250a.4 |

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| Fuel economy and emissions in use-phase | Revenue from alternative energy-related products | US\$169m in 2022 revenues. This relates to hybrid-electric, fully electric and other fuel alternative products. | RT-AE-410a.1 |
| | Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products | <p>We know that innovation is key to delivering a sustainable future and to progress the decarbonisation of our products and services by 2050. Technology is at the core of our business and we will leverage this to progress our decarbonisation strategy and support our customers in transitioning to a low carbon economy.</p> <p>It is also important that we recognise and understand the challenges that climate change will bring so that we continue to design defence and security systems fit for operation in these future environments.</p> <p>Decarbonisation of our products and services will be achieved by making our current products and services more efficient where practicable and by introducing lower or zero emissions products and technology for new and future requirements. The Group has already established some low carbon products and invested in simulation technology. 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> | RT-AE-410a.2 |
| 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> | RT-AE-440a.1 |

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| Materials sourcing | | <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 |
| Business ethics | Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and / or illicit international trade | <p>We do not put this information in the public domain due to commercial confidentiality.</p> | RT-AE-510a.1 |
| | Revenue from countries ranked in the 'E' or 'F' Band of Transparency International's Government Defence Anti-Corruption Index | <p>As stated on page 230 of our Annual Report 2022, 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 - £2,540m Qatar - £885m</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 2022 Annual Report</p> | RT-AE-510a.2 |

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| Business ethics | 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 in ensuring that we maintain the high standards of ethical conduct that our customers, shareholders, partners and colleagues expect. We have a zero tolerance policy regarding corruption in all its forms. Our anti-corruption programme is designed to ensure adherence to all relevant legal and regulatory requirements recognising the bribery and corruption risks that are faced by the Company. The programme also provides our employees with practical guidance, helps them to understand what is expected of them and creates an environment in which they feel they can confidently, and confidentially if needed, ask questions and raise issues and concerns. We continually check and test the effectiveness of our programmes receiving both internal and external oversight and assurance, including encouraging feedback internally from our employees and externally 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. 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.</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 over the long-term. We spent £11.5bn with more than 21,000 directly contracted suppliers worldwide. Our Global Procurement Policy requires our sectors to communicate our Supplier Principles – Guidance for Responsible Business to our suppliers. During the second half of 2022, 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 global spend. Additionally our standard terms and conditions require suppliers to comply with all applicable laws and regulations, including those related to 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> | RT-AE-510a.3 |

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| Production by reportable segment | | <p>An extremely 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 2022 across the portfolio of ground vehicles, aircraft, maritime vessels, aircraft components and space and weapons systems are set out on the following pages, by reference to the 2022 BAE Systems plc Annual Report.</p> <p><u>Combat vehicles</u> BAE Systems manufactures a broad range of ground vehicles, in the US and Sweden. Examples of key activities in this segment in 2022 include:</p> <ul style="list-style-type: none"> • In the US, we continued to deliver Armoured Multi-Purpose vehicles across all five variants. • US Army selected the BAE Systems Beowulf for its Cold Weather All-Terrain Vehicle (CATV) programme. • Hägglunds received a contract to supply 152 CV9035 infantry fighting vehicles to replace the Slovakian Army’s infantry fighting vehicle fleet. • Czech government selected CV90 to replace its infantry fighting vehicle fleet <p><u>Aircraft</u> BAE Systems manufactures aircraft, as well as major subcomponents of such aircraft in international collaborations. Examples of product delivery activities in 2022, 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 programme is progressing well, with all nine Hawk aircraft accepted by the customer and eight Typhoon aircraft now delivered and in service with the Qatari Emiri Air Force. ○ Work continues on the Typhoon programme and the production programme has been extended further following the award of 20 further aircraft for Spain during the year, for which BAE Systems supplies major units. • F-35 aircraft programme: <ul style="list-style-type: none"> ○ Full rate production of F-35 sub-assemblies in the UK, with 150 rear fuselages completed in the year. • Tempest aircraft programme: <ul style="list-style-type: none"> ○ The Tempest technology maturation programme is progressing well, and work continues to plan on the contract received in 2021 for the Future Combat Air Systems Concept & Assessment Phase. | RT-AE-000.A |

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| Production by reportable segment | | <ul style="list-style-type: none"> ○ UK, Japanese and Italian governments reached agreement in the year to merge Tempest sixth generation fighter with Japanese F-X programme to form the Global Combat Air Programme (GCAP). <p><u>Maritime vessels</u></p> <p>BAE Systems manufactures and supports ships, and manufactures submarines, including in 2022:</p> <ul style="list-style-type: none"> ● Construction of the first three City Class Type 26 frigates for the Royal Navy continues. ● The UK Ministry of Defence awarded a contract to BAE Systems to manufacture the next five City Class Type 26 frigates for the Royal Navy in Glasgow. ● Further contract funding awarded as part of the Delivery Phase 3 for the UK Dreadnought programme. ● The fifth Astute Class submarine, HMS Anson, was formally commissioned into the Royal Navy. The remaining two submarines, Agamemnon and Agincourt, are at an advanced stage of construction. ● Construction of the first two Dreadnought Class submarines is well advanced, and in February 2023, construction commenced formally on the third of class submarine. ● The Hunter Class Frigate programme is progressing strongly with the fifth and final prototype block being manufactured in South Australia, ahead of cutting steel on the first schedule protection blocks for Ship 1 in 2023. <p><u>Vehicle and aircraft components</u></p> <p>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 1,200 electronic warfare systems as of year-end 2022. ● US-based bus manufacturers Hometown Manufacturing and ElDorado National both chose our next-generation Gen3 electric drive technology to power their zero emission vehicles. ● Company selected to design, test and supply energy management components for GE Aviation’s megawatt class hybrid electric propulsion system supporting NASA’s Electrified Powertrain Flight Demonstration project. <p><u>Weapon systems</u></p> <p>A broad range of gun systems, weapons systems and munitions are supplied to key government customers, including in the US, UK, India and Sweden. The Company received a five-year contract extension for Ordnance Systems Radford operations through 2026 and a one-year extension through to 2024 for the Holston facility and supply contracts.</p> | RT-AE-000.A |

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| Number of employees | | 93,100 - As at 31 December 2022, including share of equity accounted investments. | RT-AE-000.B |