

UK Pay Gap Report Gender and Ethnicity

Report 2024



Contents

Read each section to find out more.

Ethnicity pay gap

Gender pay gap

Committed to change

I have always believed that transparency is one of the most powerful tools in fostering diversity, equity and inclusion, which is why I am delighted to introduce our very first combined Pay Gap Report, covering both gender and ethnicity.

This report, the data that it includes, and above all, what the data tells us about our organisation, will help to pave the way for our business to become more equitable and more inclusive. Pay gap reporting helps us ensure that BAE Systems is a workplace in which all our employees can succeed and progress. By being transparent, we can discuss the challenges with our employees and other stakeholders, identify steps to achieve improvements and measure progress over time.

We know that delivering change may take time and will require a sustained and collaborative effort. We are determined to make BAE Systems a place where all our employees can achieve their full potential.



A handwritten signature in black ink, appearing to read 'Tania Gandamihardja'.

Tania Gandamihardja
Group Human Resources Director
BAE Systems



Diversity, equity and inclusion at BAE Systems

Our purpose

At BAE Systems we serve, supply and protect those who serve and protect us, in a corporate culture that is performance driven and values led.

BAE Systems employs a highly skilled workforce of almost 40,000 people at around 40 sites across the UK. The diverse talent and skills of our people help us take on and solve some of our customers' most complex challenges. We believe that a truly diverse workforce can drive innovation and help to keep us at the forefront of defence and security technology.

Globally, we have set an ambition to be recognised as a leading employer in defence and security for valuing diversity, equity and inclusion. We are determined to be more diverse at all levels of the organisation and to be truly representative of the communities in which we operate.

We recognise the challenges of increasing diversity in the engineering sector but, through our schools and early careers programmes, our STEM Returners initiative and partnerships with specialist organisations, we are proactively working to increase diversity and bring in talent from a wider segment of society.

We are also developing a new DEI strategy and action plan that we will launch in 2025 that will help us to meet this ambition.

Gender balance

- > In the UK, and by 2030 at the latest, our ambition is that more than 30% of our workforce will be women. This includes more women in senior grades and in science, technology, engineering, and maths roles.
- > We are aiming for women to make up at least 50% of our Executive Committee by 2030.
- > We meet the target for gender set by the Hampton Alexander review. 50% of our non-executive directors are women.

Ethnic diversity

- > We meet the target set by the Parker Review, which requires each FTSE 100 Board to have at least one director from an ethnic minority background.
- > We are part of the Change the Race Ratio commitment and are working towards doubling the ethnic minority members of our Executive Committee (EC) and their direct reports (EC-1) by December 2027.

We are continuing to define other ambitions with regards to diversity, equity and inclusion.



Diversity, equity and inclusion at BAE Systems

Initiatives and charters that we support



Gender Pay Gap



About our gender pay gap reporting

We calculate our gender pay gap by calculating the difference between the average earnings of men and women in BAE Systems' UK business. In our report we provide data on both the 'mean' difference and the 'median' difference.

A mean pay difference is calculated by taking the average hourly earnings of everyone in an organisation, including their pay and bonus, and comparing the difference between men and women employees.

A median pay difference is calculated by taking the figure in the middle of the range of pay and bonus, arranged from the smallest to the largest.

In any year, a number of factors impact our gender pay gap data. This could include changes in the total number of employees and those joining our organisation at different stages in their careers, including at senior levels.

A pay gap is not the same as equal pay, which requires that men and women in the same job in an organisation are paid the same. Our approach to pay and reward is designed to be irrespective of gender. Through our governance, the reporting of our policies and processes and the training we require of our line managers, we aim to ensure there is no bias in our approach to pay.

A pay gap of 7.7% means that men are in jobs that are paid 7.7% more on average than women employees.



Our approach to gender pay gap reporting

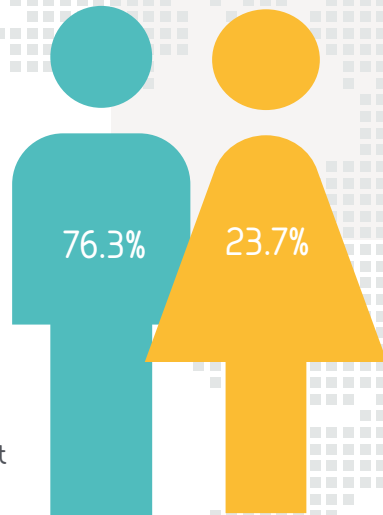
This report has been compiled in accordance with the UK Government's mandatory gender pay gap reporting requirements and guidance. It covers all employees working for our UK legal entities on 5 April 2023 and shows a breakdown of data for those legal entities with more than 250 employees.

We are reporting:

- > Gender balance in our organisation
- > Mean gender pay gap
- > Median gender pay gap
- > The proportion of men and women who receive a bonus
- > Mean gender bonus gap
- > Median gender bonus gap
- > Gender distribution across pay quartiles

On 5 April 2023 76.3% of our employees were men and 23.7% were women

BAE Systems
UK gender split



Our gender pay gap

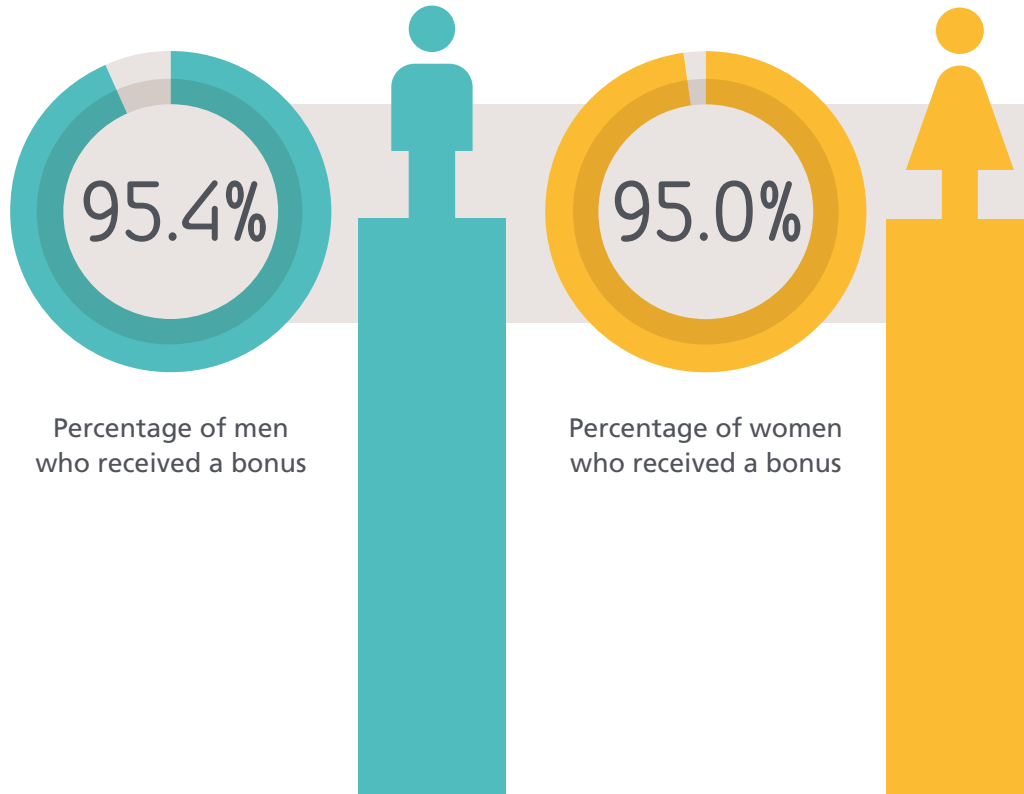
Looking at all our UK legal entities, we have a mean gender pay gap of 7.7% and a median gender pay gap of 8.7%.

In 2023, we continued to deliver a small but positive change to our gender pay gap and also a small continuous increase in the number of women employed in our UK business.

The latest figures from the Office of National Statistics (ONS) dating from 2023 found that the median UK gender pay gap is 14.3%

Looking at the bonuses that our employees in all our UK legal entities received, we have a mean gender bonus gap of 9.5% and a median gender bonus gap of 8.3%.

95.4% of men received a bonus compared to 95.0% of women.



Percentage of men who received a bonus

Percentage of women who received a bonus

7.7%

Mean gender pay gap

8.7%

Median gender pay gap

9.5%

Mean gender bonus gap

8.3%

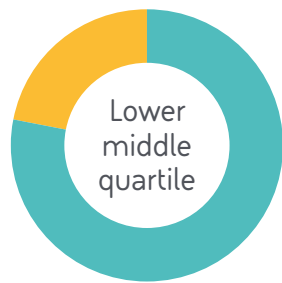
Median gender bonus gap



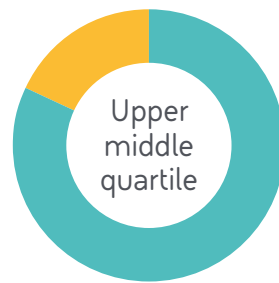
Distribution of all UK employees across pay quartiles (as of 5 April 2023)



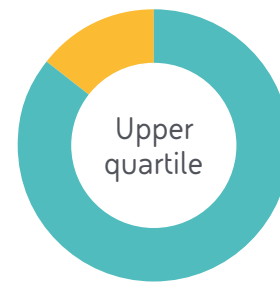
2022: Men 69.9% Women 30.1%



2022: Men 76.6% Women 23.4%

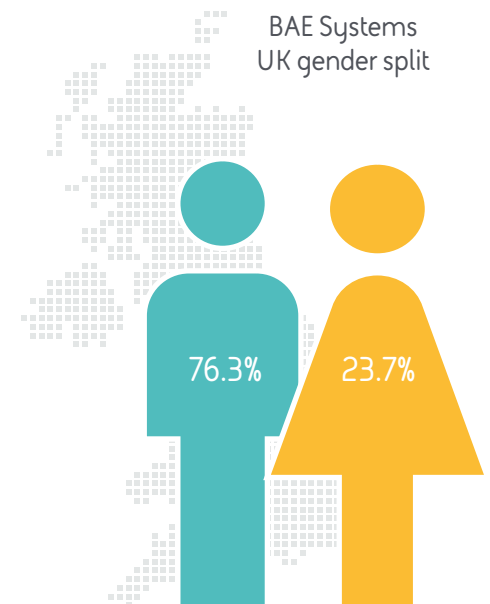


2022: Men 80.4% Women 19.6%



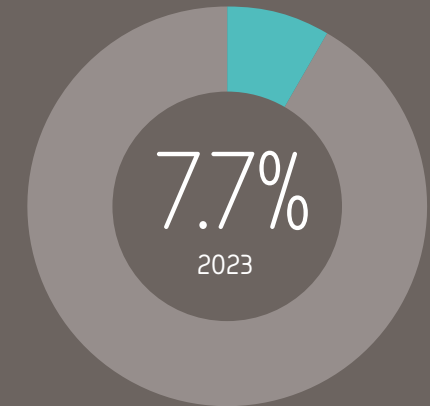
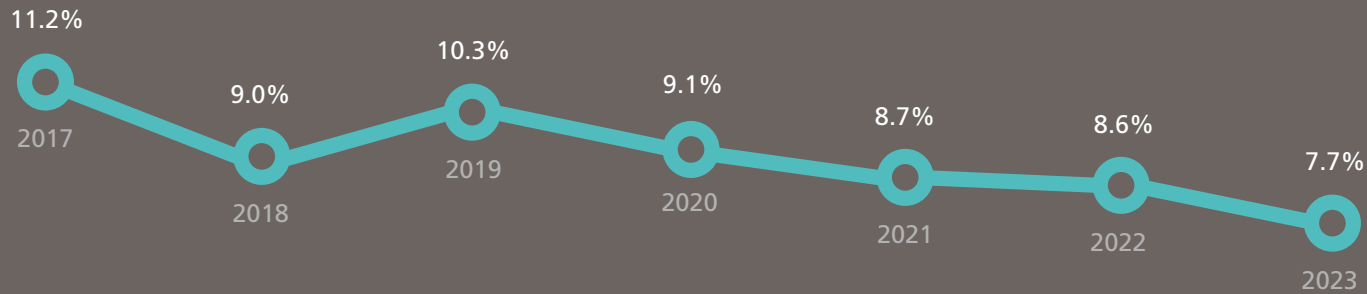
2022: Men 82.8% Women 17.2%

The chart above shows the distribution of men and women in our UK business within four pay quartiles. The Upper Quartile is the highest paid quarter of our workforce and the Lower Quartile is the lowest paid quarter of our workforce. The Upper Middle Quartile and Lower Middle Quarter divide the remaining employees accordingly.

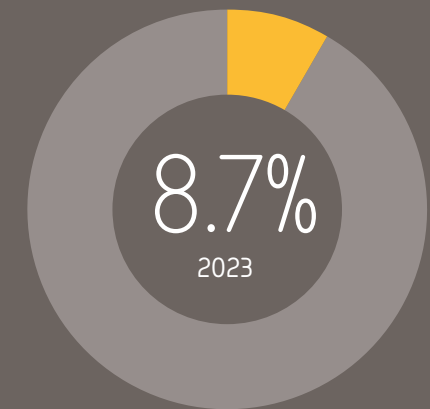
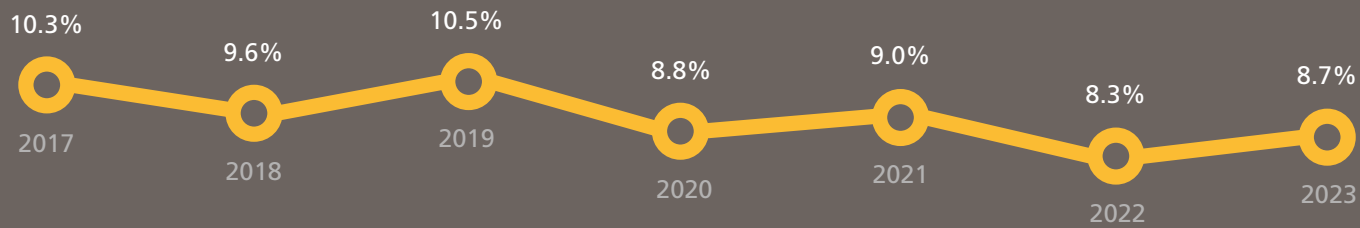


Gender pay gap over time

BAE Systems mean pay gap over time



BAE Systems median pay gap over time



Closing our gender pay gap

The commitment of our people, their skills and talent are critical to how BAE Systems fulfils its purpose, to support the armed forces and security services in defending nations. We are immensely proud of our people's engineering, design, manufacturing and servicing capabilities.

We are making steady progress but continue to strive for change.



We recognise that we have work to do and are aiming to drive gender equity and to deliver a workplace where women can excel.

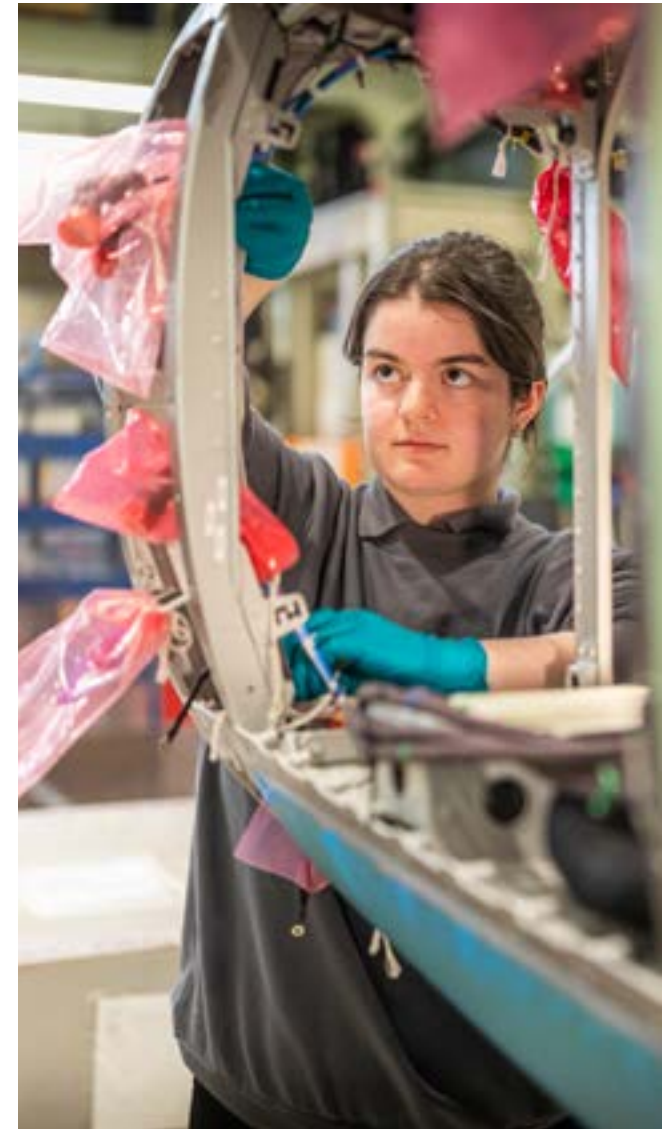
Women in STEM

Unfortunately the science, technology, engineering and maths (STEM) skills that are critical to our business have not historically been studied by as many women as men. We are optimistic that this picture is improving. A report published in March 2022 by EngineeringUK showed that 16.5% of those working in engineering are women, compared to 10.5% in 2010.

- > We work to inspire girls about STEM through a schools roadshow programme that has now reached over 1 million UK school pupils.
- > We engage with young people through our team of 800 STEM Ambassadors who visit schools and youth groups.

Recruiting women

- > We have flexed our recruitment requirements and strengthened our recruitment tools and employer brand to attract more applications from women. We are seeing encouraging results. In 2023, more than 30% of our apprentice intake in the UK were women and more than a quarter came from low socio-economic communities.



Closing our gender pay gap

Building an inclusive and supportive workplace

- > We have rolled out diversity, equity and inclusion training to all UK employees.
- > We offer flexible working and Reasonable Adjustments through a Working Adjustment Passport and a competitive range of family leave benefits to support our employees.
- > We are an accredited Menopause Friendly Employer. We are now working to become a menstruation friendly employer. We provide free period products throughout our organisation.
- > We are expanding career development and mentoring programmes for women and promote positive stories of women role models in our workplace and across all our communications channels.
- > We have a comprehensive gender identity policy and provide a range of support and training for employees and their managers in order to create a supportive environment for all, regardless of gender identity and expression.
- > At the heart of this work is the Gender Equity Network (GEN), an Employee Resource Group (ERG) for all employees which believes everyone should be given the opportunity and support to succeed in their career, regardless of gender. GEN's ultimate goal is to no longer be needed because gender barriers and biases will have been broken down in the workplace.

External benchmarking

- > We have joined the Bloomberg Gender Equality Index to measure and benchmark our performance.
- > In 2023, we achieved a Silver in the Employers Network for Equality and Inclusion's (ENEI) Talent Inclusion and Diversity Evaluation (TIDE) awards.

Partnerships

- > Partnering with other defence and security organisations to achieve change through initiatives like the Women in Defence Charter, Women in Defence Awards and WeAreTechWomen.

We have rolled out diversity, equity and inclusion training to all UK employees.



Ethnicity Pay Gap



About our ethnicity pay gap reporting

Ethnicity pay gap reporting shows the percentage difference in average pay and bonuses for White employees and employees from All Other Ethnic groups.

We calculate our ethnicity pay gap by assessing the difference between the average earnings of White employees and employees from All Other Ethnic Groups in BAE Systems' UK business. In our report we provide data on both the 'mean' difference and the 'median' difference.

A mean pay difference is calculated by taking the average hourly earnings of everyone in an organisation, including their pay and bonus, and comparing the difference between white employees and employees from all other ethnic groups.

A median pay difference is calculated by taking the figure in the middle of the range of pay and bonus, arranged from the smallest to the largest.

In any year, a number of factors impact our ethnicity pay gap data. This could include changes in how many of our employees declare their ethnicity, changes in the total number of employees and those joining our organisation at different stages in their careers, including at senior levels.

A pay gap is not the same as paying someone less because of their ethnicity, which would be discriminatory. Our approach to pay and reward is designed to be irrespective of ethnicity. Through our governance, the reporting of our policies and processes and the training we require of our line managers, we aim to ensure there is no bias in our approach to pay.

A pay gap of 3.9% means that White employees are in jobs that are paid 3.9% more on average than employees in All Other Ethnic Groups. A negative percentage would show that employees from All Other Ethnic Groups have higher pay and bonuses than White employees.

2023 is the first year that we have reported on our ethnicity pay gap. As we continue to report over the coming years, we will be able to use this data to track our progress and inform additional actions to close our ethnicity pay gap.



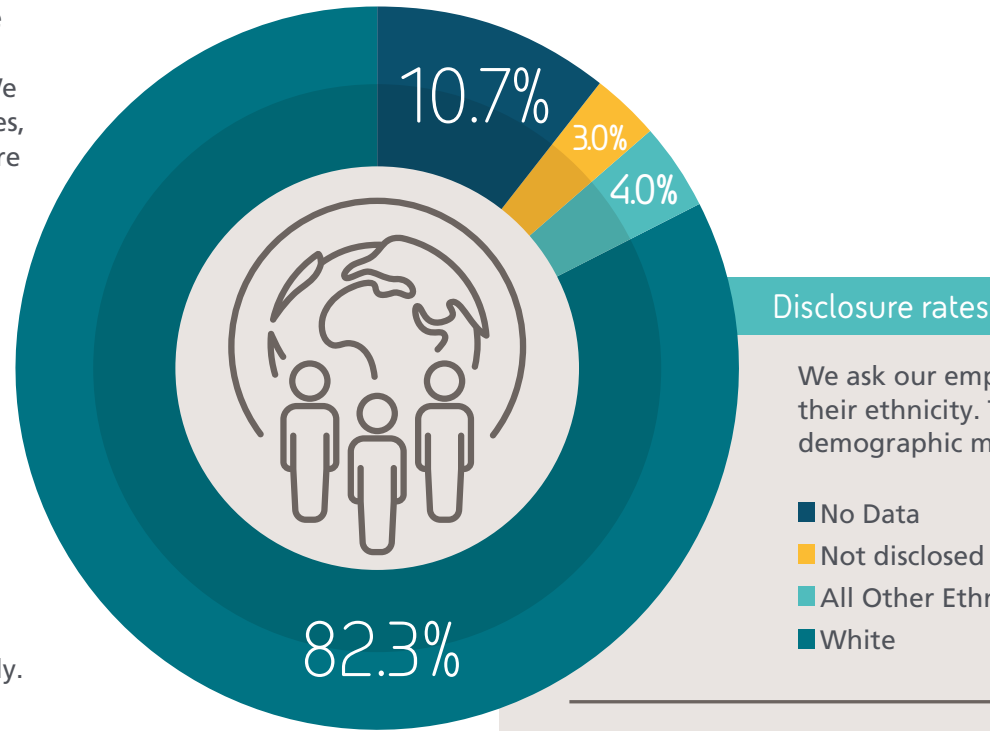
Our approach to ethnicity pay gap reporting

To compile this ethnicity pay gap report, we have closely mirrored the UK Government's Gender Pay Gap Reporting requirements. We are using two categories to group employees, White and All Other Ethnic Groups, to ensure anonymity. This report covers employees working for our UK legal entities.

We are reporting:

- > Ethnicity disclosure rates
- > Mean ethnicity pay gap
- > Median ethnicity pay gap
- > Mean ethnicity bonus gap
- > Median ethnicity bonus gap
- > Ethnicity pay gap quartile distribution

We have shown pay gap data for all our UK legal entities together and data for some of our larger employing legal entities separately.



Disclosure rates

We ask our employees to voluntarily disclose their ethnicity. This helps us understand the demographic makeup of our organisation.

- No Data
- Not disclosed / Prefer not to say
- All Other Ethnic Groups
- White

86.3% of our employees have disclosed their ethnicity.

82.3% our employees identify their ethnicity as White and 4% identify as being in All Other Ethnic Groups.

Our ethnicity pay gap

Looking at all our UK legal entities, we have a mean ethnicity pay gap of 3.9% and a median ethnicity pay gap of 5.8%.

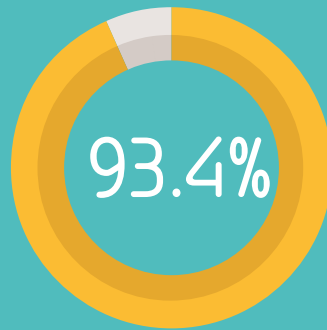
Looking at the bonuses that our employees in all our UK legal entities received, we have a mean ethnicity bonus gap of -2.3% and a median ethnicity bonus gap of 1%.

95.8% of our White employees received a bonus compared to 93.4% of employees from All Other Ethnic Groups.

Percentage of White employees receiving a bonus



Percentage of employees from All Other Ethnic Groups receiving a bonus



3.9%

Mean ethnicity pay gap

5.8%

Median ethnicity pay gap

-2.3%

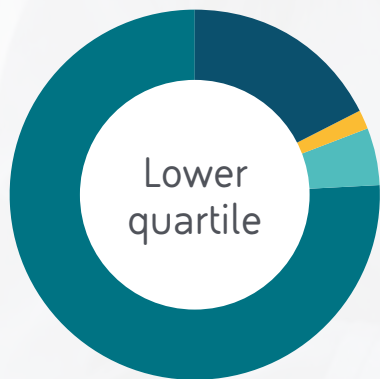
Mean ethnicity bonus gap

1.0%

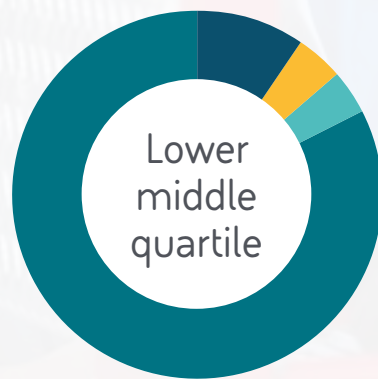
Median ethnicity bonus gap



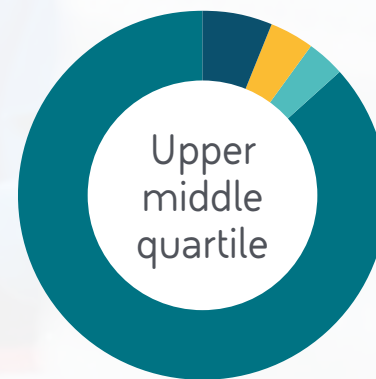
Distribution of all UK employees across pay quartiles



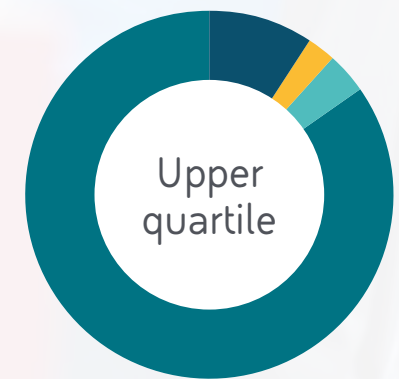
75.8% 17.5% 5.0% 1.7%



82.5% 9.6% 3.8% 4.1%



86.4% 6.3% 3.4% 3.8%



84.6% 9.3% 3.7% 2.4%

We divided all our employees into quartiles by pay. The Upper Quartile is the highest paid quarter of our workforce and the Lower Quartile is the lowest paid quarter of our workforce. The Upper Middle Quartile and Lower Middle Quarter divide the remaining employees accordingly.



- No Data
- Not disclosed / Prefer not to say
- All Other Ethnic Groups
- White

Closing our ethnicity pay gap

Delivering change through practical steps

Although this is our first year publishing ethnicity pay gap data, we recognise that we have work to do. We are already taking a number of practical steps to support our employees from non-white ethnic backgrounds, and are aiming to drive racial equity and to deliver a workplace where non-white employees can excel.

- > We are aiming to increase the number of senior leaders from non-white ethnic backgrounds in our business.
- > We are part of the Change the Race Ratio commitment and are working towards doubling the ethnic minority members of our Executive Committee (EC) and their direct reports (EC-1) by December 2027.
- > We have also met the requirements of the Parker Review which asks each FTSE 100 Board to have at least one director from an ethnic minority background.

We are taking a number of steps to support our employees and deliver a workplace where they can excel.

- > We have introduced inclusive recruitment practices relating to how we advertise roles and then select and interview prospective employees.
- > We have introduced new training opportunities for leaders, line managers and employees.
- > We participate in the RISE Programme, a leadership programme for employees from non-white ethnic backgrounds which was piloted in 2023 and will be rolled out in 2024. Additional mentoring programmes are being piloted in 2024.
- > We are part of the KPMG's Cross Company Allyship Programme (CCAP), a mentorship initiative bringing together mentors with mentees, with a focus on supporting those from black heritage and ethnic minority backgrounds.
- > Embrace is one of our six our Employee Resource Groups (ERG). It is an employee-led initiative that supports cultural and ethnic diversity. The group acts as a forum for discussion and change where the benefits of cultural diversity are promoted, embraced, and realised.



Appendix: Gender Pay Gap

Legal Entity	Gender Pay Gap		Gender Bonus Gap		Percentage of population receiving a bonus		Percentage of women and men in pay quartiles							
	Mean	Median	Mean	Median	Men	Women	Lower quartile		Lower middle quartile		Upper middle quartile		Upper quartile	
							Men	Women	Men	Women	Men	Women	Men	Women
All legal entities 2023*	7.7%	8.7%	9.5%	8.3%	95.4%	95.0%	68.5%	31.5%	76.7%	23.3%	79.2%	20.8%	82.1%	17.9%
BAE Systems plc	5.8%	7.8%	13.2%	15.0%	96.3%	96.8%	67.3%	32.7%	75.5%	24.5%	78.8%	21.2%	78.6%	21.4%
BAE Systems (Operations) Limited	7.1%	5.1%	7.1%	3.9%	96.8%	95.8%	71.5%	28.5%	78.3%	21.7%	80.8%	19.2%	85.2%	14.8%
BAE Systems Applied Intelligence Limited	16.0%	20.6%	30.6%	35.6%	91.1%	91.5%	67.2%	32.8%	71.3%	28.7%	79.8%	20.2%	85.3%	14.7%
BAE Systems Global Combat Systems Munitions Limited	2.4%	1.5%	4.0%	3.4%	94.9%	96.2%	82.3%	17.7%	82.7%	17.3%	88.8%	11.2%	83.9%	16.1%
BAE Systems Marine Limited	12.4%	13.4%	8.2%	0.0%	96.5%	96.8%	62.4%	37.6%	68.8%	31.2%	79.9%	20.1%	86.7%	13.3%
BAE Systems Surface Ships Limited	1.4%	1.9%	4.5%	0.8%	95.8%	95.7%	82.0%	18.0%	81.7%	18.3%	82.6%	17.4%	83.8%	16.2%
BAE Systems Services Limited	20.0%	26.8%	27.3%	17.6%	92.5%	88.2%	28.6%	71.4%	39.7%	60.3%	51.6%	48.4%	70.8%	29.2%
All legal entities 2022*	8.6%	8.3%	20.0%	12.0%	90.6%	90.3%	69.9%	30.1%	76.6%	23.4%	80.4%	19.6%	82.8%	17.2%
All legal entities 2021*	8.7%	9.0%	17.2%	7.0%	89.3%	89.3%	70.4%	29.6%	78.0%	22.0%	81.3%	18.7%	83.4%	16.6%
All legal entities 2020*	9.1%	8.8%	20.6%	7.3%	91.0%	91.0%	72.0%	28.0%	78.0%	22.0%	81.0%	19.0%	84.0%	16.0%
All legal entities 2019*	10.3%	10.5%	18.6%	12.3%	91.0%	91.0%	72.0%	28.0%	78.0%	22.0%	82.0%	18.0%	86.0%	14.0%
All legal entities 2018*	9.0%	9.6%	18.0%	8.9%	90.0%	90.0%	74.0%	26.0%	79.0%	21.0%	82.0%	18.0%	86.0%	14.0%

* All UK Legal Entities data provides a complete view of our UK business (for relevant employees), so also includes areas where there are fewer than 250 employees and therefore are not reported separately given the legislative guidance. The seven legal entities listed are reportable under the Gender Pay Gap legislation as they each employ 250 or more people. In 2023, we created a new legal entity, BAE Systems Services Limited.

Appendix: Ethnicity Pay Gap

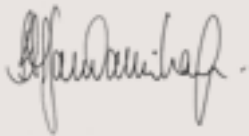
Legal Entity	Ethnicity Pay Gap		Ethnicity Bonus Gap		Percentage of ethnic groups in pay quartiles															
	Mean	Median	Mean	Median	Lower quartile				Lower middle quartile				Upper middle quartile				Upper quartile			
					White	All Other Ethnic Groups	Prefer not to say	No Data	White	All Other Ethnic Groups	Prefer not to say	No Data	White	All Other Ethnic Groups	Prefer not to say	No Data	White	All Other Ethnic Groups	Prefer not to say	No Data
All legal entities*	3.9%	5.8%	-2.3%	1.0%	75.8%	5.0%	1.7%	17.5%	82.5%	3.8%	4.1%	9.6%	86.4%	3.4%	3.8%	6.3%	84.6%	3.7%	2.4%	9.3%
BAE Systems plc	-4.3%	-0.2%	-37.5%	10.0%	93.7%	3.9%	0.8%	1.7%	94.0%	2.8%	1.5%	1.7%	95.4%	2.9%	1.0%	0.8%	92.8%	3.9%	1.6%	1.7%
BAE Systems (Operations) Limited	7.6%	8.4%	10.8%	4.7%	75.0%	6.5%	2.2%	16.2%	82.6%	4.9%	4.1%	8.3%	85.3%	3.6%	4.6%	6.4%	88.6%	3.3%	4.2%	3.9%
BAE Systems Applied Intelligence Limited	17.2%	16.1%	34.9%	28.7%	29.3%	10.1%	1.6%	59.1%	45.4%	8.8%	2.0%	43.8%	43.1%	7.4%	3.0%	46.5%	54.6%	6.0%	2.5%	36.9%
BAE Systems Global Combat Systems Munitions Limited	4.9%	5.3%	7.4%	0.3%	84.3%	4.4%	4.4%	6.8%	78.6%	5.6%	3.6%	12.1%	84.7%	2.0%	4.8%	8.4%	89.9%	1.6%	5.6%	2.8%
BAE Systems Marine Limited	4.9%	3.6%	-2.0%	0.0%	78.9%	3.2%	1.3%	16.6%	85.8%	2.3%	3.1%	8.8%	85.6%	1.7%	5.3%	7.4%	90.7%	2.1%	4.1%	3.1%
BAE Systems Surface Ships Limited	4.5%	0.6%	32.0%	1.1%	80.7%	2.7%	2.0%	14.6%	84.6%	4.1%	3.7%	7.6%	87.0%	3.7%	4.8%	4.6%	91.6%	3.4%	2.4%	2.6%
BAE Systems Services Limited	8.6%	12.4%	25.9%	9.8%	82.8%	9.3%	0.3%	7.6%	85.1%	9.9%	0.6%	4.4%	87.2%	8.5%	1.2%	3.2%	89.2%	5.0%	1.5%	4.4%

A negative percentage shows that employees from All Other Ethnic Groups have higher pay or bonuses than White employees.

* All UK Legal Entities data provides a complete view of our UK business (for relevant employees), so also includes areas where there are fewer than 250 employees and therefore are not reported separately given the legislative guidance. The seven legal entities listed each employ 250 or more people. A negative percentage shows that employees from All Other Ethnic Groups have higher pay or bonuses than White employees.

We confirm the information and data reported is accurate and in line with the UK government's Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

For BAE Systems plc



Tania Gandamihardja

For BAE Systems
(Operations) Limited



Simon Barnes

For BAE Systems
Applied Intelligence
Limited



Andrea Thompson

For BAE Systems
Global Combat
Systems Munitions
Limited



Michael Clarke

For BAE Systems
Marine Limited



Steve Timms

For BAE Systems
Surface Ships
Limited



Simon Lister

BAE Systems
Services Limited



Liz Pollard



For more information use the QR code to be directed to the 'Diversity, equity and inclusion' section of the BAE Systems website.

