



UK Gender Pay Gap

Report 2020

BAE SYSTEMS

Introduction

This is our fourth annual gender pay gap report. The reporting process continues to help us improve our understanding of our pay differentials and explore the ways in which we can work to become more inclusive, in our own organisation and with others, to close the gender pay gap.

We are working hard to improve our gender balance and while we have seen a modest improvement in our results, we recognise that we will see progress over the long-term and that some actions we take may initially adversely impact our gender pay gap.

There are many factors that can influence the overall gender pay gap picture such as changes in the overall number of employees, changes within the senior executive population and general levels of workforce attrition. We also rely on employing large numbers of employees with science, technology, engineering and maths (STEM) qualifications and we, like other companies, face challenges recruiting females with these qualifications because there are significantly fewer women who study and work in these fields. As a result, a greater proportion of our workforce and our senior leadership population is male.



We continue to work hard to improve our gender balance and remain steadfast in our commitment to delivering the plans we have in place to increase the number of women in BAE Systems and supporting the progression of women into senior executive positions.

Headline data

The figures included in this report represent our aggregated results which include all applicable employees in the UK.

Our report is aligned to the requirements of the UK regulations on organisations with more than 250 employees to report the mean and median gender pay gap and bonus gender pay gap, the proportion of men and women who receive a bonus and the distribution between genders across pay quartiles.

This is different to equal pay, which requires men and women in the same job in the same organisation to be paid the same. At BAE Systems we ensure, through our reward policies and processes, **there is no gender bias in our approach to pay.**

9.1%

our average pay gap

6.4%

lower pay gap than
the national average

20.6%

average bonus gap

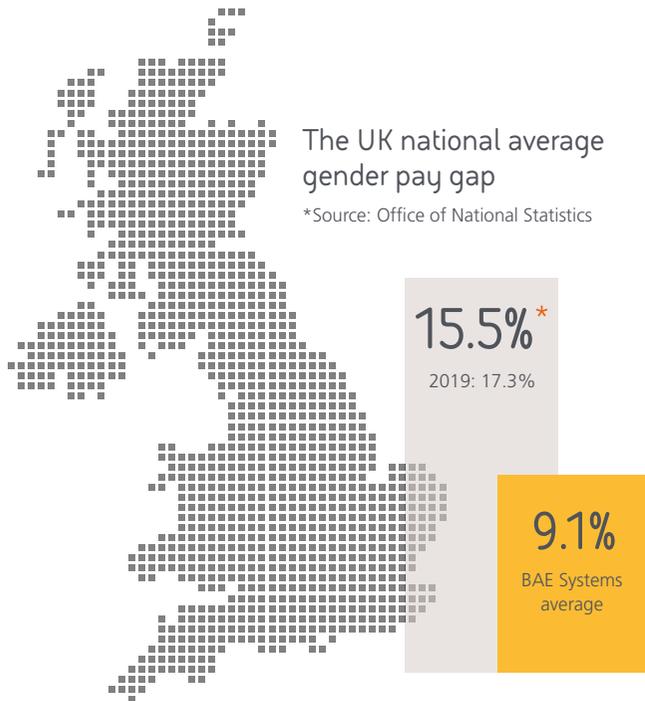
78:22

overall gender split
of our workforce

Gender pay gap in hourly pay

Our mean pay difference between men and women is 9.1% in favour of men. This is calculated by taking the average hourly earnings, including pay and bonus, and comparing the difference between men and women.

Our median pay difference is 8.8%. This is the figure that falls in the middle of the range when employee pay and bonus are organised from smallest to largest and shows the difference between male and female mid-point pay.



BAE Systems mean pay gap over time



BAE Systems median pay gap over time

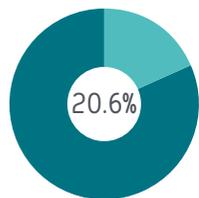


Bonus gender pay gap

We run an all-employee bonus incentive scheme in the UK and this year 91% of men and 91% of women received a bonus award.

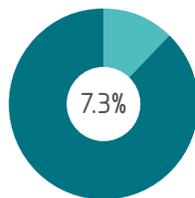
There is a mean bonus gap between men and women of 20.6%, with a median gap of 7.3%. Bonuses are made up of 'one-off' payments such as incentive, sale of shares and financial recognition awards, with monetary values for each element variable year-on-year. This makes the data more volatile and so our figures fluctuate from one year to the next.

BAE Systems mean bonus gap



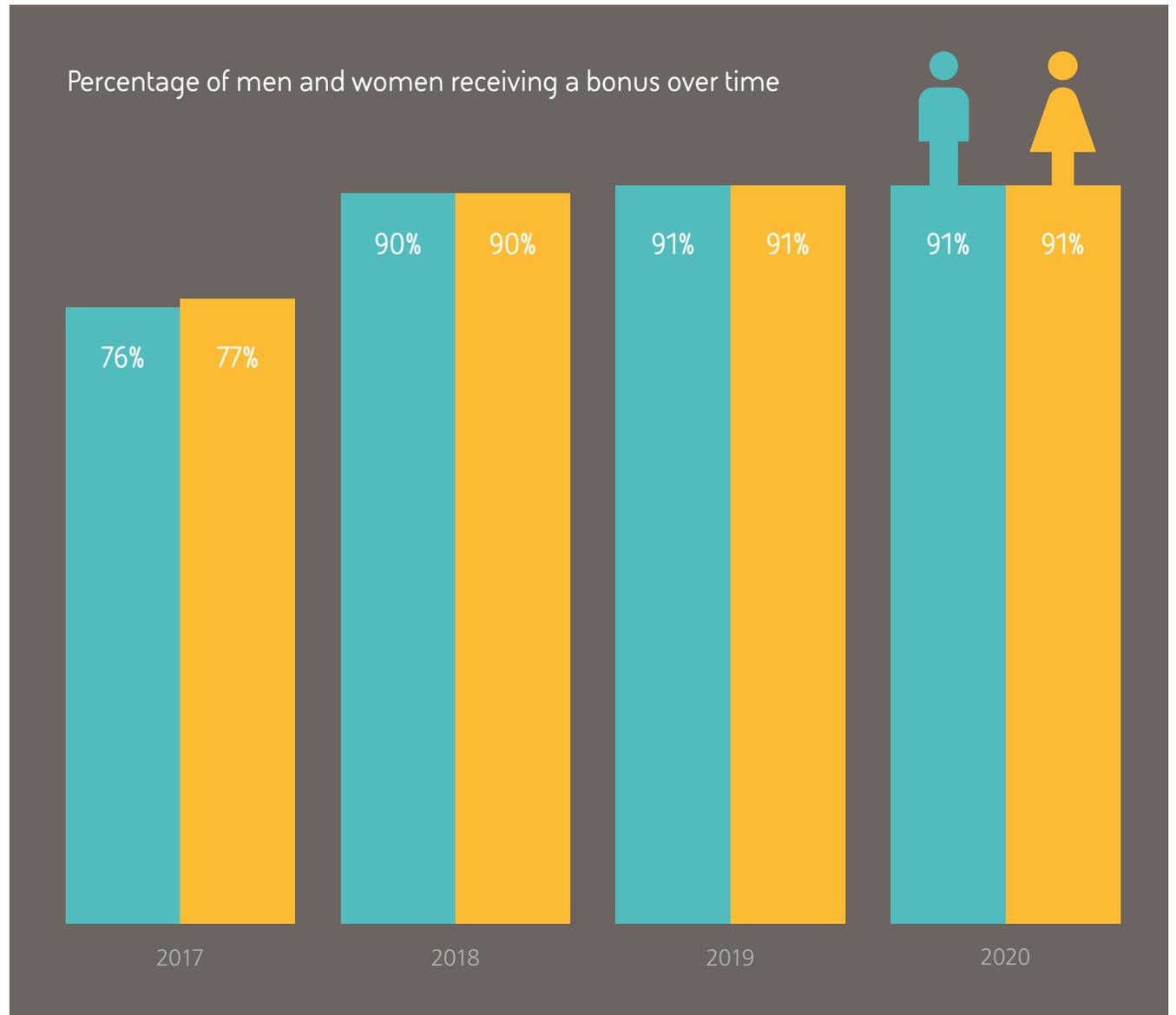
2019: 18.6%

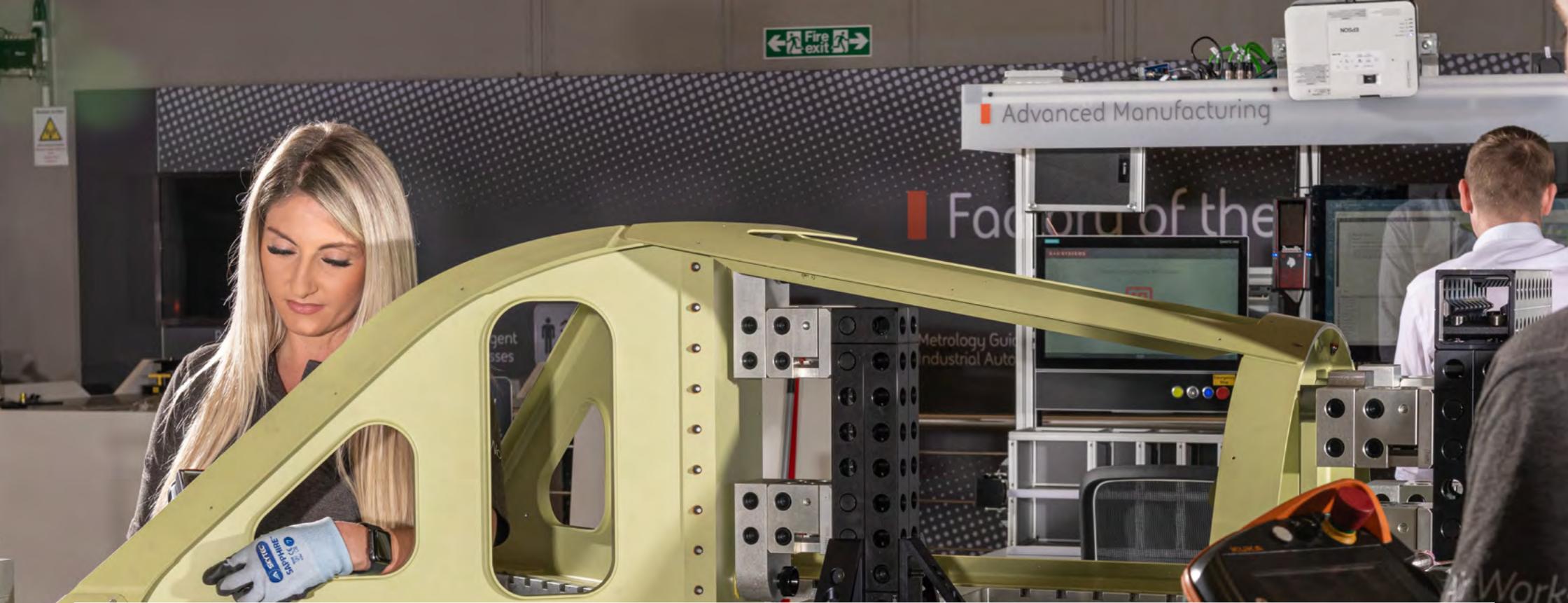
BAE Systems median bonus gap



2019: 12.3%

Percentage of men and women receiving a bonus over time





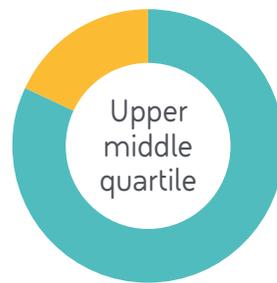
Distribution of all UK employees across pay quartiles (as at 5 April 2020)



2019 Male 72% Female 28%



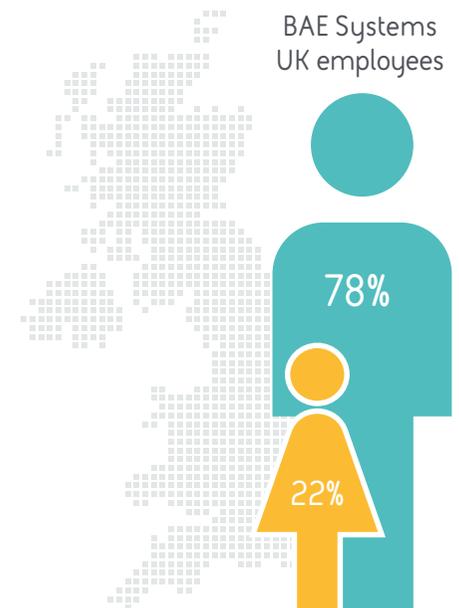
2019: Male 78% Female 22%



2019: Male 82% Female 18%



2019: Male 86% Female 14%



Our gender pay gap report also requires us to provide information on the distribution of employees across our UK business against four pay quartiles. The lowest quartile represents the typically more junior roles in our organisation such as apprentices, while the top quartile represents the most senior roles and therefore the highest paid roles. We are determined not only to bring more women into the organisation but to increase the number of women through middle and senior management roles, creating a more inclusive organisation across the pay grades, and ultimately, strengthening our performance and competitiveness.

Our position

We're proud that the gender pay gap in our business is lower than the national average by 6.4%. However, the gap highlights that there are issues related to creating an inclusive culture within our business that we are working hard to address.

These issues do not just exist within our business but are indicative of a systemic issue across our sector, pointing to the need for collaborative action across industry, in society and throughout all levels of the education system. It will take a number of years for these actions to take effect in our business and the sector more widely.

Science, technology, engineering and maths

We are a business heavily reliant on highly skilled people with a science, technology, engineering and maths (STEM) education. STEM subjects, in school, further education and higher education settings, are studied in greater numbers by males rather than females. While research shows females perform better academically in most GCSE and A-level STEM subjects and are more likely to progress into higher education generally, relatively few decide to study STEM at A-level and even fewer progress onto engineering apprenticeships or degrees.*

This creates an imbalance in the proportion of men to women applying for roles within our industry. Just 12% of those working in engineering are female, compared with 47% of the overall UK workforce.*

Although not all of our job roles involve engineering, these figures are indicative of the issues we face in achieving a more balanced distribution of men and women in our business.

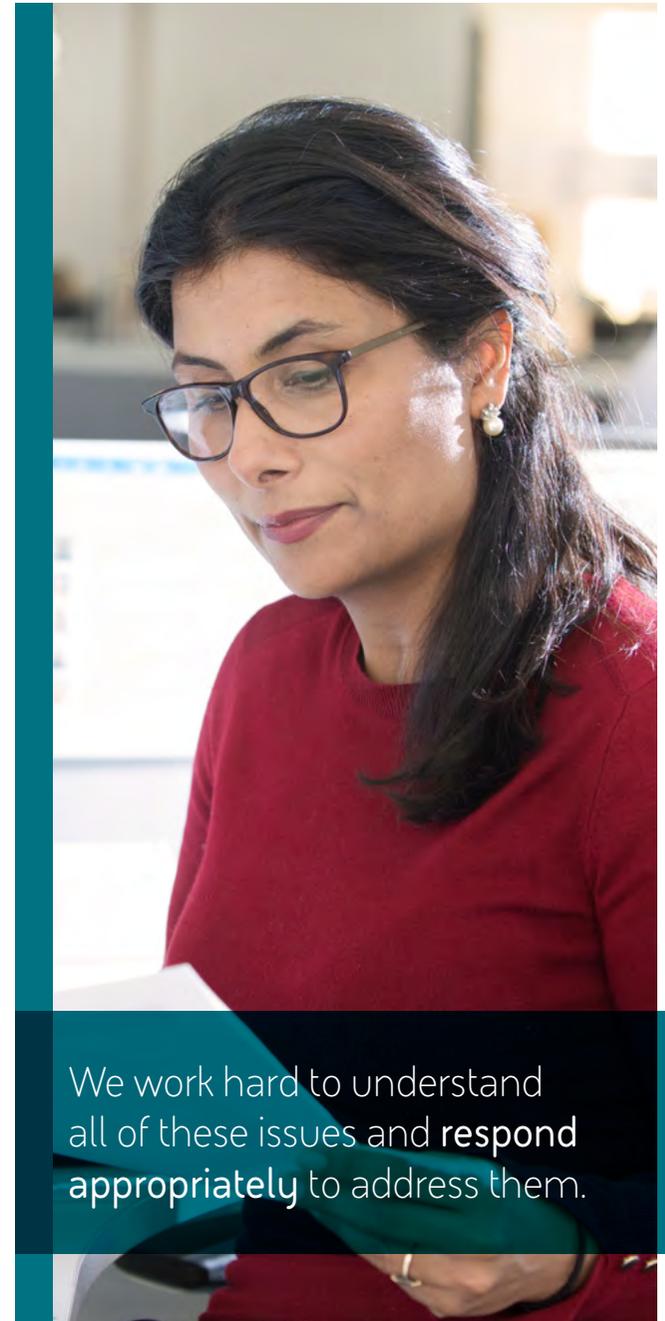
Key life stages

When we look at our quartiles data, we can see that there is a descending trend from entry level (lower quartile) roles to more senior positions (upper quartiles), with a sharp decline between the lower and lower middle quartile.

As we map these across role data, we see that we tend to lose women at key life stages, a prime example being the proportion of women who leave the business when they become a parent.

Women as role models

We recognise the power of women in our workforce being seen as role models. It's important when choosing a career that young women can see others like them develop and have a good career path within our business. Similarly, it's important that women are visible to female colleagues, and are available to support others throughout their careers.



We work hard to understand all of these issues and **respond appropriately** to address them.

* Source: Engineering UK - Gender disparity in engineering briefing - 2018

Our response

We are committed to being an inclusive organisation with a diverse workforce that reflects the communities in which we work.

The steps we are taking to improve our gender pay gap are built into our approach to diversity and inclusion. We believe that developing an inclusive, diverse workplace in which all employees can be their best and contribute their unique experiences, beliefs and insights helps us drive innovation, enhance employee engagement and accelerate our performance. It's not only the right thing to do, it will differentiate and strengthen our competitive advantage for the future.

This is a long-term plan; we aim to be a diverse and inclusive employer of choice in the defence and engineering sector by 2025. Our primary focus to improve our gender balance is to increase the numbers of women in senior executive positions and in engineering roles by working to attract and retain more women at all levels.

We have clear, common objectives to accelerate diversity and foster inclusion, to help fulfil our potential and deliver our business strategy. These are:

- > Attract and retain a diverse workforce that reflects market availability at all levels of the organisation
- > Advance an inclusive workplace where leaders can effectively retain key talent and employees feel that their differences are valued and intentionally leveraged

Our current priorities include embedding diversity and inclusion considerations into all our processes, practices, policies, systems, education and training so that all of our employees can thrive in BAE Systems.

Our leaders are held accountable for making progress and each of our businesses own and drive strategies that support our priorities.

Examples of some of our progress in 2020, we have:

- > Appointed an Executive Committee member to sponsor our focus on gender balance;
- > Launched our gender Employee Resource Group, GEN, UK-wide;
- > Signed the Women in Maritime Pledge, building on the Women in Aviation and Aerospace Charter and the Women in Defence Charter of which we are signatories.

Committed to being a diverse and inclusive employer of choice by 2025



Acting to attract and retain more women in roles at all levels

Launched our gender Employee Resource Group, GEN, UK-wide

GEN



Signed the Women in Maritime pledge

Our approach

Encouraging more girls into STEM careers

Working with education providers, we support STEM education and skills development in schools across the UK, with a focus on encouraging a greater take up of STEM subjects. Our education programmes are designed to challenge stereotypes and excite young people about careers in science and engineering, with the hope that some of them will join us for their early careers. Out of around 2,500 graduates and apprentices currently training in our business, around 25% are female.

Supporting at key life stages

Our maternity and shared parental leave policies are competitive. We want to support our employees in the best way we can, which also extends to adoption leave and special leave – this may be for a whole range of reasons, such as being a reservist or caring for a family member.

Returning to work after having children is also a key focus for us and we want to create a working pattern and adopt flexible and agile approaches that suit our employees' needs, whilst continuing to support the business. We offer all women returning to work after having children the option to work part-time for the first three months and we also offer alternative working patterns, for example, flexi hours, part-time, term-time, remote working and job sharing.

We also recognise the pressures the current COVID-19 pandemic has on family life, for example, with employees working from home and home schooling children. We have flexible working options to accommodate employees' individual circumstances, including alternative working patterns.

Sponsoring women throughout their careers

We are determined to increase the number of senior women in our business, along with the number of female engineers. We're not complacent and know we have much more to do. We'll continue to focus on attracting women and developing and retaining senior women.

We have sponsorship programmes and networks for women at all levels. We also make sure we have diverse candidate lists when recruiting. We are following best practice guidelines and external benchmarking to embed inclusive decision making throughout our employee lifecycle. We actively celebrate International Women's Day and Women in Science and Engineering globally across the company and promote female and male role models..



Around 25% of our graduates and apprentices currently training are female



We have flexible working options for employees working from home and home schooling children

Appendix

Our results by UK legal entity employing 250 or more people.

Legal Entity	Gender Pay Gap		Gender Bonus Gap		Percentage of population receiving a bonus		Percentage of male and female employees in pay quartiles							
	Mean	Median	Mean	Median	Male	Female	Lower quartile		Lower middle quartile		Upper middle quartile		Top quartile	
							Male	Female	Male	Female	Male	Female	Male	Female
All legal entities 2020*	9.1%	8.8%	20.6%	7.3%	91%	91%	72%	28%	78%	22%	81%	19%	84%	16%
BAE Systems plc	18.4%	15.3%	35.6%	27.5%	95%	95%	55%	45%	79%	21%	82%	18%	81%	19%
BAE Systems (Operations) Limited	8.2%	7.0%	10.0%	12.2%	89%	89%	72%	28%	78%	22%	81%	19%	89%	11%
BAE Systems Applied Intelligence Limited	16.0%	21.3%	40.7%	36.7%	94%	94%	69%	31%	76%	24%	79%	21%	86%	14%
BAE Systems Global Combat Systems Munitions Limited	4.8%	7.0%	6.8%	0.0%	94%	97%	77%	23%	85%	15%	93%	7%	85%	15%
BAE Systems Marine Limited	9.7%	9.4%	17.5%	0.0%	89%	86%	70%	30%	75%	25%	78%	22%	86%	14%
BAE Systems Surface Ships Limited	3.6%	5.0%	8.3%	3.9%	95%	94%	81%	19%	82%	18%	84%	16%	86%	14%
All legal entities 2019*	10.3%	10.5%	18.6%	12.3%	91%	91%	72%	28%	78%	22%	82%	18%	86%	14%
All legal entities 2018*	9.0%	9.6%	18.0%	8.9%	90%	90%	74%	26%	79%	21%	82%	18%	86%	14%
All legal entities 2017*	11.2%	10.3%	21.5%	8.2%	76%	77%	72%	28%	80%	20%	83%	17%	87%	13%

*All UK Legal Entities data includes areas in our UK business where there are fewer than 250 employees and therefore are not reported separately given the legislative guidance.

The directors of our legal entities confirm the information and data reported is accurate as of the snapshot date 5 April 2020.

For BAE Systems plc



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