



Sustainability Accounting Standards Board (SASB) Disclosure 2020

BAE Systems plc
Industry: Aerospace and Defence

BAE SYSTEMS

Topic	Metric	BAE Systems Response	Code
Energy management	<p>(1) Total energy consumed</p> <p>(2) percentage grid electricity</p> <p>(3) percentage renewable</p>	<p>(1) 6,123,005 gigajoules Total energy consumed – Scope 1 and 2. This disclosure is consistent with the corresponding disclosure in our 2020 Annual Report (which reports in kilowatt hours rather than gigajoules). See page 38 of our 2020 Annual Report.</p> <p>(2) 52.9%</p> <p>(3) 10.8%</p> <p>Notes: (2)(3) These figures are different from the corresponding figures on page 37 of our 2020 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>Amount of hazardous waste generated, percentage recycled</p>	
		<p>Number and aggregate quantity of reportable spills, quantity recovered</p>	<p>0 reportable spills (following CERCLA requirements) in respect of US facilities where we have operational control. In respect of a US facility where we do not have operational control, 2 spills were reported under CERCLA – both related to small releases of nitrous oxide (5kg and 12.2kg) to the air.</p> <p>CERCLA only applies in the US. We can confirm that in the other jurisdictions in which we operate zero spills have occurred in 2020 which have resulted in enforcement action by regulatory authorities under relevant local environmental legislation.</p>

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Data Security (continued)		<p>As well as monitoring for signs of external attack our protective monitoring also operates against Insider Threat activity, where user violations of security policy are detected and investigated, primarily to stop information exfiltration - whether accidental or deliberate.</p> <p>Employees and staff are subject to mandatory training, which depending on role covers IT security, physical security, document marking, security of export controlled information, and personal data protection. As many of our security threats can be delivered by email, we run a programme of phishing susceptibility testing for all email users across the enterprise.</p> <p>For information belonging to the organisation that is processed by the Company on platforms outside of our network boundaries, a formal assurance process is in place that requires a minimum level of protective controls to be implemented, depending on information classification. This covers not only security considerations, but other aspects such as due diligence and data sovereignty. For such services hosting Personally Identifiable Information, in respect of networks operated within the EU and the UK, a Privacy Impact Assessment is completed.</p> <p><u>(2) Products</u></p> <p>Within the Company 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 Applied 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

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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>Our approach to counterfeit parts in the supply chain is one of prevention and assurance. 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 which set out BAE Systems' expectations of its Suppliers including in relation to counterfeit goods https://www.baesystems.com/en/our-company/sustainability/partners-and-suppliers/suppliers/supplier-principles. We assure our global supply base using a risk based approach to confirm our suppliers' adoption of the Supplier Principles and identify any associated risks - in our 2020 assurance activity, we covered 20% of global spend. We also look to procure directly from Original Equipment Manufacturers where possible, or accredited distributors, to further reduce the risk.</p>	RT-AE-250a.2
	Number of Airworthiness Directives received, total units affected	<p><u>Civil Airworthiness Directives</u> 3 Directives: AD References: 2020-07-02, 2020-0237 and 2020-0254. 3 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
	Total amount of monetary losses as a result of legal proceedings associated with product safety	<p>We do not put this information in the public domain due to commercial confidentiality.</p>	RT-AE-250a.4
Fuel Economy & Emissions in Use-phase	Revenue from alternative energy-related products	<p>US\$217m</p> <p>Note: This relates to Hybrid-electric products.</p>	RT-AE-410a.1

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Fuel Economy & Emissions in Use-phase (continued)	Description of approach and discussion of strategy to address fuel economy and greenhouse gas (GHG) emissions of products	<p>Our goal is to develop and implement a long-term strategy that reduces the impact of our activities and products on the environment. We have set ourselves the target of:</p> <ul style="list-style-type: none"> - Achieving net zero greenhouse gas emissions across our operations (Scope 1 and 2) by 2030. We aim to do this by reducing our emissions as a minimum in line with the 1.5°C pathway; and - Working towards a net zero value chain by 2050 (see pages 36-39 of our 2020 Annual Report). <p>We aim to improve energy efficiency, introduce cleaner technologies, collaborate across our value chain, and mitigate climate related risk, both physical and transitional. BAE Systems has world-class engineering capabilities and high-end discriminating technologies, well aligned to the current and future requirements of our customers including advancing technology to power environmentally-friendly urban transit (see page 40 of our 2020 Annual Report) Our academic partnerships, including as an example partnerships with five leading UK universities (University of Birmingham, Cranfield University, The University of Manchester, University of Southampton, and University of Strathclyde) enable BAE Systems to have access to research and development in key areas for future platforms such as electrification, alternative fuels and energy storage. Some of our partners also have capabilities spanning artificial intelligence and digital systems which we can draw upon to support activities to drive energy efficiencies and optimisation through the design and support of our products.</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, the issue of critical materials is considered as part of a broader corporate approach to monitoring supply chain risk. However, the issue of limited or sole source supplies of raw materials is familiar, due to the nature of some of the products produced by the Company which are often of a very high, specific and potentially unique specification, but which are required to be supplied in certain cases at low volumes. As part of this, we have a multi-faceted risk management programme that seeks to: aggregate risk across the enterprise using proactive intelligence, assure continuity of supply and illuminate lower level suppliers 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 assure programme delivery to agreed time, cost and quality criteria.</p>	RT-AE-440a.1

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Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	We do not put this information in the public domain due to commercial confidentiality.	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 in our Annual Report 2020, 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 – £2,631m Qatar – £913m</p> <p>We do not put revenues from other countries in these Bands in the public domain due to commercial confidentiality.</p> <p>Our success depends on us being trusted by all our stakeholders to uphold high standards of governance and business conduct. Robust governance remains at the core of our business and underpins the sustainability of the business. Our Operational Framework sets out our approach and the policies, processes and standards to which we adhere and apply everywhere we operate. For more information please see: https://www.baesystems.com/en/our-company/sustainability/ethics-and-anti-corruption and our 2020 Annual Report.</p>	RT-AE-510a.2
	Discussion of processes to manage business ethics risks throughout the value chain	<p>Our success, as a Company, depends on our employees behaving ethically in everything they do. Each employee has a vital role to play in ensuring that we maintain the high standards of ethical conduct that our stakeholders expect. BAE Systems has a zero tolerance policy regarding corruption in all its forms. Our anti-corruption programme guides and supports our employees in making responsible decisions. It also helps employees understand what is expected of them and creates an environment in which employees feel they can ask questions and raise issues and concerns. Our programme is embedded through our key global policies and processes including thorough due diligence programmes. The programme receives both internal and external oversight and assurance. We drive improvements in the programme annually to ensure it continues to meet best practice.</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/our-company/sustainability/ethics-and-anti-corruption</p>	RT-AE-510a.3

Activity Metric	BAE Systems Response	Code
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 not disclosable. Therefore limited examples of units of key products, or sub-units of key products which were produced in 2020 across the portfolio of ground vehicle, aircraft, marine vehicle, aircraft components and weapons system are set out below, by reference to our 2020 Annual Report.</p> <p><u>Ground vehicles</u> BAE Systems manufactures a broad range of ground vehicles, in the US and Sweden. Examples of key activities in this segment in 2020 include:</p> <ul style="list-style-type: none"> • In the US, delivery of the first production Armoured Multi-Purpose Vehicles took place in the second half of 2020; one of each of the five variants delivered by year end. • In the US, the Amphibious Combat Vehicle programme moved to full-rate production phase in 2020 after Initial Operational Capability declared. • In the US, delivery of more than 50 production Bradley A4 vehicles took place in 2020. <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 2020, by aircraft type, include:</p> <p>Typhoon aircraft programme – final assembly and major subassembly work:</p> <ul style="list-style-type: none"> • Activity on the 24 Typhoon and nine Hawk aircraft and associated support and training contract for the Government of the State of Qatar progressed well, with all milestones achieved in 2020. • Seven deliveries of major units under the Kuwait Typhoon contract, secured by Italian Eurofighter partner Leonardo, occurred in the period, with the remainder planned by 2022. • The final Tranche 3 Typhoon aircraft was delivered to Italy in October. <p>F-35 aircraft programme:</p> <ul style="list-style-type: none"> • 126 rear fuselage assemblies completed in 2020. <p>Hawk aircraft programme:</p> <ul style="list-style-type: none"> • Six Hawk aircraft assembled in Saudi Arabia were accepted and entered service in-Kingdom. 	RT-AE-000.A

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Production by reportable segment (continued)	<p><u>Marine vehicles</u> BAE Systems manufactures and supports ships, and manufactures submarines, including in 2020:</p> <ul style="list-style-type: none"> • In the UK, the build phase of the River Class Offshore Patrol Vessel programme completed, with the fourth and fifth ships handed over to the UK Royal Navy in 2020. • In the UK, the fourth Astute Class submarine, HMS Audacious, left BAE Systems’ Barrow site in April 2020 to begin sea trials with the UK Royal Navy • In the UK, construction of the first two Dreadnought Class submarines for the UK Royal Navy continues to advance. <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 bus fleets. By way of example, F-35 electronic warfare systems are supplied, of which the cumulative programme deliveries surpassed 800 electronic warfare systems as of year-end 2020.</p> <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. The Company operates and is modernising the US Army’s Radford and Holston ammunition plants.</p>	RT-AE-000.A
Number of employees	89,600 as at 31 December 2020, including share of equity accounted investments.	RT-AE-000.B

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