

Basis of reporting
Sustainability review 2022

INTRODUCTION

The data reported includes BAE Systems' wholly-owned subsidiaries and includes data for our four key markets (i.e. Australia, Kingdom of Saudi Arabia, UK and US).

DIVERSITY

Basis of calculation – for calendar year 2022

Total number of employees, recorded on our HR Information Systems (HRIS) as well as off system employees for recent acquisitions not on our HRIS'. Data is gathered as an extract from the HRIS and summarised in a dashboarding tool (Tableau) to support simple and consistent data visualisation and reporting.

NUMBER OF EMPLOYEES

Description – for calendar year 2022

Total number of employees, permanent and fixed term at 31 December 2022, captured on our HR Information Systems (HRIS) as well as off system employees for recent acquisitions not on our HRIS'. The data does not include temporary workers, sub-contractors and agency staff. Data is captured and pulled from various HR Information Systems across our four key markets by a nominated point of contact who manages the data.

Unit of Measure – for calendar year 2022

Total number of employees.

AGE DIVERSITY

Description – for calendar year 2022

Total number of employees, permanent and fixed term at 31 December 2022, split across the following age groups:

Under 30 years

30 – 50 years

Over 50 years

The data does not include sub-contractors, agency staff or temporary workers.

Data is captured and pulled from various HR Information Systems across our four key markets by a nominated point of contact who manages the data. The age diversity split has been amended this year to align with external reporting requirements.

Unit of Measure – for calendar year 2022

Total number of employees split by age.

GENDER DIVERSITY

Description – for calendar year 2022

Total number of employees, permanent and fixed term at 31 December 2022, split across gender groups of male and female. Gender reporting is also split between number of members of the Board and Senior Managers (Senior Managers are defined as employees (excluding executive directors) who have responsibility for planning, directing or controlling the activities of the Group or a strategically significant part of the Group and/or who are directors of subsidiary companies).

The data does not include sub-contractors, agency staff or temporary workers.

Data is captured and pulled from various HR Information Systems across our four key markets by a nominated point of contact who manages the data.

Unit of Measure – for calendar year 2022

Total number of employees split by gender.

ETHICS

FORMAL ENQUIRIES ¹

Description – for calendar year 2022

These are the number of enquiries raised as a result of contacts to our Ethics Helpline. The Ethics Helpline includes contacts made to our Ethics Officers, Ethics Helpline emails, Ethics Helpline web-reports, and Ethics helpline phone.

Any contact that raises a concern or makes an allegation of inappropriate conduct is recorded as a report but may be closed as guidance if appropriately resolved with guidance and advice. All contacts are logged. Contacts which are requests for advice or guidance are either addressed by Ethics or referred onwards, for example to HR.

Contacts can come from any individual, regardless of their affiliation: employees, contractors, customers, suppliers etc. Users of our externally managed Ethics Helplines are given a unique reference number so that they can monitor the progress of their report and, when wishing to remain anonymous, in jurisdictions in which it is legal and appropriate, receive feedback. Feedback is provided to all those making reports or seeking guidance through the various ethics channels.

Ethics Helpline contact details are posted in our facilities, shared via email, posted on our intranets, included in our Code of Conduct and included on our website.

Multiple Contacts

Where, having considered the criteria noted below, we are reasonably persuaded that multiple contacts to our Ethics Office relate to a single matter of concern, then we log this as a single report.

In evaluating whether multiple contacts to our Ethics Office relate to the same matter, we must give consideration to: the severity of the reported issue; internal and external interest in the reported issue (i.e. if heightened internal or external interest is noted in a particular reported issue, these cases will not be aggregated for external reporting); the length of time within which the contacts were made (e.g. contacts made within a brief period on the same minor issue may qualify for reporting purposes as a single contact); and the channel of contact. It is noted that all contacts are followed up with the individual concerned. Any issues which requires reinvestigation are re-entered as a separate contact and investigated further.

BAE Systems, Inc.

The BAE Systems, Inc. Ethics Helpline includes a 24x7 call centre and a web-based intake form administered by an external service provider, Diligent. The Ethics Office may receive contacts from a variety of avenues including Ethics Officers, Human Resources, management, the Board of Directors and our Ethics Helpline. All contacts are recorded in the BAE Systems, Inc. IncidentManager database. The matter is triaged and escalated as appropriate. The case is assigned to the appropriate Ethics Officer for investigation, documentation, resolution, and case closure. Ethics Officers may partner with the appropriate functional subject matter experts to conduct the investigation.

The day-to-day management of all ethics contacts is the responsibility of the Inc. Ethics Office, Sector Ethics directors and the Ethics Officers assigned, using the IncidentManager case management tool.

Oversight, consistency and quality assurance are provided by the BAE Systems, Inc. Ethics Oversight Committee (EOC), Inc. Ethics Office, Sector Ethics Directors and Sector Ethics Steering Committees. The Ethics Oversight Committee includes: the Chief Executive Officer; Senior Vice President & General Counsel; Senior Vice President, Human Resources & Administration; Senior Vice President, Finance; Vice President, Internal Audit; Vice President and Chief Ethics Officer and an outside Director from the BAE Systems, Inc. Board of Directors. The EOC meets at least twice a year and is responsible for reviewing the Company's overall ethics compliance and awareness program and reviewing any significant ethical issues.

BAE Systems plc (all BAE Systems apart from BAE Systems, Inc.)

The Ethics helpline phone service and web reporting service is run by an external service provider, Safecall, who forward call details to the Ethics central team at Head Office. The Ethics central team at Head Office also receive contacts made to the Ethics Helpline email, postal letters and by other means. The Ethics central team log a case for each report received, triage the severity of the report and either escalate the report, in accordance with the escalation process or disseminate contacts to the appropriate businesses, via Ethics Officers, for resolution by either providing Guidance or investigation. Ethics Officers across the businesses also receive

contacts directly by telephone, email and walk-in (face to face), which they then log on the case management tool.

The day-to-day management of all ethics contacts is the responsibility of the Head of Ethical Business Conduct, their staff and the Ethics Officers, using a centralised case management tool to do so.

Oversight of all ethics contacts is the responsibility of the Ethics Review Committee (ERC), chaired by the Group Director Governance, Conduct & Sustainability with permanent members of Group Audit Director; Chief Counsel, Compliance & Regulation; HR Director, Head Office; Chief People Officer, Geographies; Group Security Director; Chief Counsels for Air, Maritime and Digital Intelligence and Group Head of Ethical Business Conduct. The ERC meets quarterly reviewing contacts management performance, significant trends and actions taken in response to ethical concerns raised, ensuring thoroughness and consistency.

Basis of calculation – for calendar year 2022

The total number of ethics enquiries is based on the number of contacts to our Ethics Helpline. All ethics contacts are reported via our case management tools.

Unit of Measure – for calendar year 2022

Each formal enquiry made to the Ethics Helpline (unless classed as a multiple contact on the same incident – see above description).

TYPES OF CONTACTS TO ETHICS HELPLINE

FORMAL ENQUIRY TYPES

Description – for calendar year 2022

Contacts to Ethics Helpline are categorised using the following primary and secondary enquiry types:

Investigation

Concerns or complaint (that require more than advice or guidance to resolve) relating to:

Accounting Charge Practices

Accounting Charge Practices - Major	Directed or intentional charging of labour or related expenses, including travel expenses, to an improper account; systemic or excessive irregularities or errors in charging; pattern of charging the wrong cost objective; contract cost shifting or allocation not in accordance with disclosure statements, etc.
Accounting Charge Practices – Minor	Inappropriate charging of labour or related expenses, including travel expenses, to an improper account where such charges are not indicative of a significant or consistent pattern of abuse; minor timekeeping infractions or misuse of business unit time where cost accounting adjustments are indicated (i.e., the employee did not make up the time); malingering or sleeping while assigned to work and charging the time on accounting records; infrequent, unauthorised late arrivals or early departures where the time is charged on accounting records; other improper time charging incidents or patterns not indicative of gross mischarging or cost to the customer.
General Accounting Practices	Inaccurate, false, or misleading financial records or statements including, but not limited to, general ledgers, profit and loss statements, cost, schedule and control accounting records; financial planning or budgeting issues; failure to properly account for receivables or payables; improper billing practices; property accounting; actions that are not consistent with the letter or spirit of BAE Systems financial policies.

Anti-Corruption

Advisors	Issues or enquires relating to Advisors – implementation or exercise of advisor practices
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Bribery or Corruption	<p>Providing, or attempting to provide, or offering to provide any kickback; or soliciting, accepting, or attempting to accept any kickback; or including, directly or indirectly, the amount of any kickback: in the contract price charged by a BAE Systems subcontractor to a higher tier subcontractor or to BAE Systems; or in the contract price charged by BAE Systems.</p> <p>A kickback means any money, fee, commission, credit, gift, gratuity, thing of value, loan, entertainment, services, or compensation of any kind which is provided, directly or indirectly, to any prime contractor, prime contractor employee, subcontractor, or subcontractor employee for the purpose of improperly obtaining or rewarding favourable treatment in connection with a prime contract or a subcontract.</p>
Community Investment	Issues or enquires relating to Community Investment – Implementation or exercise of Community Investment practices
Conflict of Interest – Misc.	Because of other activities or relationships, BAE Systems is unable or potentially unable to render impartial assistance or advice to the government or other customer, or where objectivity in performing the contract work is or might be otherwise impaired, or where an unfair competitive advantage exists (i.e., organisational conflict of interest); or other conflicts of interest not described above.
Facilitation Payments	Payment or gift given (usually to a government official) to cause him or her to perform a routine duty or function, or to expedite such performance, other than the payment of a lawful and official fee for such a duty or function.
Former Government Employees	Prohibited employment actions (e.g., hiring, discussions of potential employment, etc.) pertaining to former government employees.
Gifts and Hospitality	Receiving or offering any gift, hospitality, gratuity, or other business courtesy in violation of corporate policy.
Outside Business Activities	Direct or indirect personal interest in a transaction or situation with a supplier, customer, competitor, shareholder or other which might reasonably appear to affect the judgment the employee exercises on behalf of the Company, influence the employee's actions, or lead the employee to neglect the Company's business. This includes dual employment adverse to BAE Systems' interest, certain ownership interests (i.e., securities), and other actions and relationship interests.
Political or Lobbying Activity	BAE Systems funds, property, services, or other items of value, improperly contributed, loaned, or made available, directly or indirectly, to any political party, committee, or candidate, or to the campaign of any candidate; improper activity on the part of an employee or representative to influence the decision making of any executive or legislative branch member or government employee

Data, Technology and Trade Controls

Competitive Sensitive Data	<p>Solicitation, acceptance, use or possession of</p> <ol style="list-style-type: none"> 1) document(s) containing a legend indicating that such document(s) originated with or belong to another business unit, that such document(s) are of a competitive nature, and the receipt, possession and/or use of the information is prohibited by the legend; 2) document(s) (whether or not containing legends) or information which constitute part of, or relate to the contents of, another business unit's proposal at any stage of competition; 3) government document(s) of a source selection or procurement planning nature which contain a legend indicating that release outside the government is not authorised;
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	<p>4) government document(s) or extracts there from which contain source selection or procurement planning information not containing a restrictive legend, if there is reason to believe release has not been approved by the government;</p> <p>5) Any information of the government or of a business organisation, whether a competitor or not, where it is clear that release of that information is unauthorised or in circumstances where there is reason to believe that such information cannot lawfully be in BAE Systems' possession.</p>
Data protection or personal data	Accidental or unlawful loss, destruction, alteration, unauthorised disclosure of, or access to Personal Information held by or on behalf of the Company, together with any other Personal Data Protection Incident which falls within the definition of breach under a Local Personal Data Protection Policy.
Propriety Data or Intellectual Property	Mishandling data that are valuable assets either of the company or its collaborators or customers such as proprietary data, intellectual property, patents, trade secrets, "know how," and technical information. Misconduct may include, but is not limited to, misuse of proprietary data, violation of non-disclosure agreements, or improper technology transfer
Securities and Insider Trading	<p>Inappropriate use of inside information. Inside Information is information of a precise nature that has not been made public but which, if made public, would be likely to have a significant effect on the price of the Company's Securities. Inside information includes information that relates directly or indirectly to the Company and is likely to include:</p> <p>Significant information relating to the Company's assets and liabilities, its performance, potential performance or financial condition;</p> <p>Major new developments in the Company's business; and</p> <p>Information that affects information previously disclosed to the markets.</p> <p>Information is precise if it is about circumstances or events which currently exist or which may reasonably be expected to occur and is specific enough to enable a conclusion to be drawn as to the possible effect on the price of the Company's Securities.</p>
Trade controls, export controls, sanctions or ITAR	Violations of export or import rules or regulations; improperly or unlawfully shipping, mailing, hand-carrying, or in any other way exporting or importing any commodity or technical data or causing or permitting any other person to do so; exporting or importing without the appropriate licence or exemption, payment of fees, and/or appropriate documentation.

Employee Conduct

Discrimination	Employment decisions or treatment based on race, sex, age, religion, colour, national origin, disability, veteran status, or on any other unlawful basis; also see Equal Employment Opportunities.
Employee Misconduct - Misc.	Insubordination; violence, fighting; soliciting; unauthorised absence; smoking in prohibited areas; profanity; confidentiality issues and other inappropriate conduct not covered elsewhere.
Gambling	Gambling activities during work hours, or on work premises, or organising gambling activities
Interpersonal Skills	Poor or inadequate communication; rudeness, insensitivity to employee morale.
Intimidating / Threatening Conduct or Harassment	Harassing, frightening, annoying, bullying (if not covered in the Discrimination category), threatening, coercive, discouraging, annoying, or tormenting behaviour (e.g. "nit-picking") of a non-sexual nature; also see Sexual Harassment.
Records Falsification (Non-Finance)	Falsification of personnel or other non-financial records including, but not limited to, resumes, applications, letters of recommendation, disciplinary records, health records, benefit applications or filings, and certain operations records such as manufacturing, quality, engineering drawings, etc.; also see Product Substitution and Accounting and Charging Practices

Relationship Conflicts & Nepotism	Employment decisions based on family or another significant relationship(s); nepotism is the special case of favouritism shown by relatives or close friends in the assignment of work, compensation, training or other work-related decisions.
Retribution or Retaliation	Threats or punishment (i.e., “payback”) for utilising the Ethics Help Line or reporting misconduct to management through any means.
Sexual Harassment	Any unwelcome sexual advance(s), request(s) for sexual favours or other unwelcome verbal, physical, or other conduct of a sexual nature. Sexual harassment exists when any one or more of the following occurs; 1) submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; 2) the sexual conduct has the purpose or effect of interfering with a person's work; 3) or the sexual advance/conduct is unwanted or creates an intimidating, hostile, abusive, or offensive work environment.
Substance Abuse	Alcohol; drugs; controlled substances; possessing, selling, or being under the influence on business unit time or premises where the business unit conducts its business

Employee Relations

Access to Training	Unreasonable refusal by a manager or other constraints preventing access to training or training courses which an employee ought to attend or is entitled to attend.
Application of Policy or Procedure	Whimsical, wrong, or inconsistent application of employment-related policy, procedure, or practice.
Compensation, Benefits, and Pay	Salary or wages; overtime; merit; payroll issues; relocation, field service, or foreign allowance compensation; pay for military duty or jury duty; group insurance matters (e.g. medical, dental, life); severance pay; pension; leave of absence provisions; workers' compensation; tuition reimbursement; vacation; bereavement; holidays; COBRA
Hiring or Placement Practices	Matters pertaining to recruiting; hiring; job posting; selection; promotion; demotion; placement; job classification issues; external applicants; recalls
Layoff or Other Terminations	Matters pertaining to reduction in force decisions, layoff or other termination issues
Performance or Capability	Issues relating to the individual's ability to perform their regular work tasks due to skills, capability, performance or absence, or reports concerning how the capability process is being managed.
Reward or Recognition	Inconsistent, unfair, whimsical application of reward and recognition (other than compensation).

Financial Misconduct

Financial Fraud (including fraudulent invoicing)	Defrauding BAE Systems financially, including ghost employee/contractor, fraudulent (or fraudulently increased) invoices, fraudulent expense claims.
Securities and insider trading	Buying or selling stock based on material, non-public information concerning the Company such as transactions in which the Company proposes to engage or information about other entities with which the Company does business (i.e., “inside information”); using non-public information for personal gain, supplying others with “inside information” (i.e., “tipping”); other securities violations.
Tax avoidance or evasion	Illegally reducing BAE Systems tax liability; participating in questionable tax reduction procedures; acting so as to allow third party to avoid or evade proper taxation

Management Practices

Favouritism (not Nepotism)	Favouritism generally means preferential treatment without a sound business basis; treating one employee differently from another, in the assignment of work, compensation, training or other work-related decisions.
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Management Skills - Misc.	Inadequate or unfair assignment of work duties; failure to monitor work areas; ineffective or poor budgeting, staffing, controlling; inadequate career development of subordinates; whimsical application of discipline.
Other Abuse of position or authority	Use of position or authority to unfairly influence decisions and outcomes (not nepotism).
Performance Appraisals	Unfair, biased, or inadequate performance appraisal practices.

Policy, Process and Trading

Business or Functional Ethical Practices	Issues or enquiries relating to the business or functional policies – Issue with the actual policy rather than implementation.
Company Sales Practices	Issues or enquires relating to Sales Practices policies – Implementation or exercise of sales practices.
International Law	Violation of statutes, regulations, or policies pertinent to the conduct of international business.
Issues relating to company policies	Issues relating to the Company’s policies – Implementation or exercise of Company policies or procedures.
Product Trading	Issues or enquiries relating to Responsible Trading Risks: Product and Trading characteristics that may pose unacceptable risk to the Company’s reputation. Issues on the type of or nature of business the company engaged in.

SHE

SHE People - Behaviours, Slips, trips and falls	Behaviours likely to place, or that have placed people, business unit, property or the environment at risk of harm or a contravention of a statutory or regulatory safety, health or environmental requirement.
SHE Processes	Unsafe or unhealthy work conditions or practices; placing or failing to protect people from exposure to chemical, physical or biological hazards likely to result in injury or damage to business unit, property or the environment; failing to adhere to statutory or regulatory safety, health or environmental requirements

Sales, Manufacturing and Delivery

Contract Compliance	Violating or failing to meet terms and conditions of a contract, or the spirit of a contract, that are not covered elsewhere in this glossary (e.g., failing to meet schedules, not adhering to management structure or cost commitments, contractual performance matters pertaining to customers or subcontractors’.
Manufacturing Methods or Practices	Improper use of tools; failure to follow work instructions; inadequate, unclear, or ambiguous work instructions; schedule delays; skill or efficiency problems.
Pricing Issues	Submission of a proposal, quotation, or other document or statement that is incomplete or incorrect; improper estimating practices; improper certifications of current cost and pricing.
Product Quality	Physical, non-compliance with contract technical specifications that could impact form, fit or function
Product Safety	Product integrity or product safety issue; delivering materials where required testing/inspection is not performed, is questionable, or without appropriate waiver/deviation.
Quality or Reliability	Excessive scrap or rework; poor workmanship; poor attention to detail; may also apply to administrative work.
Research Practices	Issues related to improper publication and peer-review practices; authorship and credit practices; data collection and research project management; mentoring of trainees. Actions include, but are not limited to, multiple submissions of articles for publication, improper treatment of information acquired during peer review, untimely release of research results, improper assignment of authorship to publications, omission of credit, misrepresentation or omission of citations, refusal to share scientific data on a timely basis, improper retention of data, irresponsible supervision of junior research staff, improper representation of the standards of scientific conduct. Such actions, although generally not directly

	damaging to the integrity of the research itself or related findings, violate traditional values in research and may be detrimental to the research process.
Scientific Misconduct	Wilful fabrication, falsification of scientific or technical research data or plagiarism in proposing, performing, or reporting research.

Security or Misuse of Assets

Employee Fraud	Non-financial fraud carried out by an employee.
Employee Safety	Risk to personal security of an employee from an external third party.
Government or Customer Security	Violations of procedures pertaining to classified, secret, or otherwise sensitive documents or data; espionage; computer security involving classified data (use in conjunction with Security - Government or Customer).
Insider Threat or Espionage	Employee with authorised access to BAE Systems plc and its Assets, who has malicious intent; or is causing loss, damage or compromise of Company Assets.
IT Security	Actions that undermine IT security measures dedicated to computing and related assets, such as physical safeguards, access authorisation, data encryption, virus prevention/detection, data back-up, and disaster, recovery planning.
Misuse or abuse of Assets	Unauthorised personal use of business unit or customer resources (i.e., phones, computers, equipment, vehicles, etc.); misuse or abuse of business unit or customer facilities; improper use of the Internet or other telecommunications; also see Theft.
Plant or Premises Security	Physical security of facilities - person; traffic and parking control; possession of weapons or firearms on business unit property.
Theft	Unauthorised removal of business unit, customer, or vendor assets or property; stealing

Supplier & Procurement

Boycotting or Trade Restraint	Entering into agreements or practices in restraint of trade; price fixing; boycotts of suppliers or customers; monopoly; tie-in sales; disparaging, misrepresenting, or harassing a competitor
Procurement Issues	Miscellaneous misconduct pertaining to the procurement of goods or services such as favouritism toward a supplier based on personal friendship or other non-business related reason(s); poorly justified sole source decisions; tailoring specifications to favour a single vendor; late payments; contracting without a purchase order; failing to follow procurement procedures; issues related to selection of subcontractors and contractors.
Software Licensing	Unauthorised distribution, possession, use or copying of copyrighted software or documentation.
Supplier Contract Compliance	Supplier violating or failing to meet terms and conditions of a contract, or the spirit of a contract, (e.g., failing to meet schedules, not adhering to management structure or financial commitments, contractual performance matters pertaining to supplier or their subcontractors'.
Supplier Fraud - Defrauding the Company	Behaviours of supplier or their agents that could or has resulted in actual, suspected or potential defrauding of the company

GUIDANCE AND ADVICE:

Reports that do not allege misconduct; request is for guidance or clarification on minor concerns; no investigation required; reports that are best resolved through advice or guidance.

Basis of calculation – for calendar year 2022

The total number of ethics enquiries is based on the number of calls to our Ethics Helplines. The Ethics Helpline includes contacts made to our Ethics Officers, Ethics Helpline emails, Ethics Helpline web-reports, and Ethics helpline phone.

All ethics contacts are reported via our case management tool.

Unit of Measure – for calendar year 2022

Each individual Ethics Report (unless classed as a multiple contact on the same incident – see above FORMAL ENQUIRIES description) categorised under global headings.

DISMISSALS – FOR REASONS RELATING TO UNETHICAL BEHAVIOUR

Description – for calendar year 2022

Dismissals are the number of permanent and fixed term employees dismissed from the business for breaches of ethical policies or misconduct on matters covered in the Global Code of Conduct.

Dismissals are recorded on either HR Information Systems or on HR records.

For the Annual Report, dismissal data was provided by a nominated point of contact that manages the data captured on systems / records.

Basis of calculation – for calendar year 2022

This figure is calculated by totalling the number of employees dismissed for breaches of ethical policy that have been entered on to HR Information Systems or on HR records.

Unit of Measure – for calendar year 2022

The number of dismissed employees on our HR Information systems / HR records.

HEALTH & SAFETY ^{4, 5, 6, 7, 8 and 9}

FATALITY

Description – for calendar year 2022

A death resulting from any work related injury or occupational illness, regardless of the time intervening between the incident causing the injury or exposure causing illness and the death.

This number includes BAE Systems employees and those individuals who whilst being employed by a third party, are under the direct control of BAE Systems i.e. 'Labour Only Contractors'.

Fatalities are recorded within CR desktop in the calendar year that the fatality occurred.

Basis of calculation – for calendar year 2022

The number of fatalities reported by businesses globally recorded on CR desktop.

Unit of Measurement – for calendar year 2022

Number of occurrences.

MAJOR INJURIES RECORDED

Description – for calendar year 2022

This number includes BAE Systems employees and those individuals who whilst being employed by a third party, are under the direct control of BAE Systems i.e. 'Labour Only Contractors'

Major Injuries are defined as:

- A fracture, other than to fingers, thumbs and toes
- Amputation of an arm, hand, finger, thumb, leg, foot or toe
- Permanent loss of sight or reduction of sight
- Crush injuries leading to internal organ damage
- Serious burns (covering more than 10% of the body, or damaging the eyes, respiratory system or other vital organs).
- Scalpings (separation of skin from the head) which require hospital treatment
- Unconsciousness caused by head injury or asphyxia
- Any other injury arising from working in an enclosed space, which leads to hypothermia, heat-induced illness or requires resuscitation or admittance to hospital for more than 24 hours

Major injury definitions are in line with the UK RIDDOR definition <http://www.hse.gov.uk/riddor/> that came into force in October 2014. This definition came into effect at BAE Systems on 1 January 2017 to give closer alignment to the current Regulations in force.

Causes of major injuries recorded are categorised on our systems as:

- Acts of Violence
- Contact with electricity or electrical discharge
- Contact with moving machinery
- Drowning or asphyxiation
- Exposure to an explosion
- Exposure to fire
- Exposure to, or contact with, a harmful substance
- Falls from height – height not stated
- Falls from height – over two metres
- Falls from height – up to and including two metres
- Injured by an animal
- Injured while handling, lifting and carrying
- Road traffic accident
- Slips, trips and falls on same level
- Strike against something fixed or stationary
- Struck by moving vehicle
- Struck by moving, including flying / falling, object
- Trapped by something collapsing / overturning
- Exposure to hot liquid / surface / materials
- Radiation (ionising or non-ionising)

Safety data is captured on a global system – CR desktop - and data is entered by a nominated point of contact who manages the data at their site or business.

Major injuries are recorded within CR desktop in the calendar year that the work related major injury occurred.

Basis of calculation – for calendar year 2022

The total number of major injuries recorded on CR desktop.

Unit of Measurement – for calendar year 2022

Number of occurrences.

RECORDABLE ACCIDENTS PER 100,000 EMPLOYEES

Description – for calendar year 2022

The definition for employee is as follows:

The total number of BAE Systems employees working at a site / location on behalf of the Organisation Group / Line of Business responsible for the data being submitted.

This number should also include those individuals who whilst being employed by a third party, are under the direct control of BAE Systems i.e. 'Labour Only Contractors'

NOTE: Contract, agency / rental and temporary staff not under direct control of BAE Systems who are employed directly by a contractor should be included in the - Total Non-BAE Systems Employees category e.g. security, catering and cleaning contractors. These incidents are not reported externally, but are monitored internally.

Recordable Accident definition is –

An *Injury* is recordable if it results in one or more of the following:

- Fatality as already defined by BAE Systems

- Days away from work (Lost Work-Day Case) – A work related injury, resulting from a single identifiable event that renders the injured person unable to perform their normal work activities for more than one working day. This does not include the day of the injury but does include all successive days including rest days, weekends, scheduled holidays and public holidays.
- Medical treatment beyond first aid – medical treatment does not include first aid procedures, but would, for example, include the use of sutures (stiches or glue applied by Licensed Health Care Professional (PLHCP) to seal a wound). Any physical therapy, including physiotherapy and chiropractic manipulation is considered medical treatment where performed by a PLHCP. All first, second and third degree burns that require medical treatment are recordable.
- Restricted work or transfer to another job for medical reasons associated with the injury sustained (following medical treatment beyond first aid)
- Loss of consciousness during any work-related activity not already covered by the definition of Major Injury
- Significant injury diagnosed by an Occupational Health Physician or other Licensed Health Care Professional (PLHCP)
- Major Injury as already defined by BAE Systems
- Pre-existing injuries may become recordable if aggravated under certain circumstances.

In each home market data is captured in accordance with national requirements⁷.

This category includes injuries to BAE Systems employees and those individuals who whilst being employed by a third party, are under the direct control of BAE Systems i.e. 'Labour Only Contractors'.

Safety data is captured on a global system – CR desktop – and is entered by a nominated point of contact who manages the data at their site or business.

Recordable accidents are recorded within CR desktop in the month that the work related injury occurred. Work-relatedness is presumed for injuries resulting from events or exposures occurring in the work environment unless an exception specifically applies. A case is presumed work-related if, and only if, an event or exposure in the work environment is a discernible cause of the injury or is a significant aggravation to a pre-existing condition.

Basis of calculation – for calendar year 2022 (as at 31 December 2022)

Recordable accidents recorded on CR desktop.

Calculation:

(Total number of Recordable accidents/total average number of employees⁹) X 100,000.

Unit of Measurement – for calendar year 2022

Rate per 100,000 employees.

HEALTH & SAFETY GENERAL

CR Desktop is used to enable all relevant businesses and locations to record headcount and injuries as stated above. A quarterly check with the Merger and Acquisitions team within Group Finance ensures that the structure of business reflects that of the Company as it evolves. Businesses and / locations are added and removed from CR Desktop by the Head of SHE Assurance and a log is maintained to support this.

COMMUNITY

COMMUNITY INVESTMENT FIGURE

This describes how BAE Systems calculates its total 'Community Investment' (CI) data for the calendar year 2022, which is also aligned to the Company financial year and therefore covers the period 1 January to 31 December. All explanations in this document therefore cover the CI reporting process for the year 2022 only and should be reviewed and revalidated in future years.

1. Methodology

CI for BAE Systems is defined as its contributions to the communities in which the Company is based and namely through donations, fundraising, sponsorships, in-kind giving and volunteering.

The Company uses the Business for Societal Impact (B4SI) Framework methodology to define the value of our support and its impact on our community partners, in comparison with our peers and other organisations.

As a UK based company, all data is converted into Great British Pounds (GBP). This is done using the Cash (GBP) spot rate as at 31 December 2022 applied retrospectively. This is the last date in the year where rates were available.

2. Reporting Tool

Although various tools and platforms are used across the business to collate data and inputs that help define the contribution to communities, a single reporting tool is used to report CI activity. This tool is 'Grants' by Benevity, which has been designed specifically for tracking CI data and this is the reason the tool was selected over other tools from different providers such as the reporting tool designed by B4SI itself. According to the BAE Systems CI Policy, CI activity must be recorded in the Grants tool within 28 days of the activity taking place.

Although Grants is the reporting tool used, data such as volunteering hours and payroll giving is provided with the support of other tools and platforms. A full list of these additional data sources is included against each category of support in section 5, including the rationale for doing using this data source.

3. Process owner

A master Excel spreadsheet is used to collate all the data from the Grants reporting tool and data from other sources. This spreadsheet is used to help conduct the various checks on the data necessary to ensure good governance of the data entry process and to help calculate CI totals across different categories. The spreadsheet is created and managed by the Group Communication team and ultimately owned by the Group Head of Communication and Community Investment.

In terms of the original data entry into the Grants tool, responsibility varies across different businesses and teams but access to the tool is tightly controlled by the Group Communications team. Data entry in Grants is typically done by CI or Communications employees but sometimes local site activity leads where a CI or Communications employee is not based on a particular site. The Group Communications team conducts all training and induction of new users of the Grants tool to ensure consistency and oversight of the data entry process.

4. Geography and areas in scope

All CI activity across the BAE Systems Group is included in the reporting process. However, the structure of the Group means the most of its CI activity takes place in its main markets of operation and therefore the data is sorted into the following geographical markets: UK, US, Australia, Saudi Arabia and 'other'. Although The B4SI Framework recommends international data is aggregated up into broad regional groupings, this would not be helpful for BAE Systems in being able to manage and track its CI performance due to the fact that its 'community-based' activities mostly tend to happen in such a small number of countries in these wider regions. Grouping CI activity according to geographical operations is also likely to be recognisable to the majority of BAE Systems external stakeholder audiences familiar with its operations and how the Company works.

Although the B4SI framework provide a methodology and proposed way to capture management costs and costs incurred in the Company making its contributions, this is currently excluded from the BAE Systems reporting process due to a lack of a reliable system and process for capturing this data. It is something that is being considered for future years.

5. Categories and basis for calculation

BAE Systems bases its Community Investment figures for 2022 on the data collected for the following categories.

Donations

- Company funds provided to a charity or an organisation with a charitable purpose. When referring to a charity or charitable purpose, we mean the following:
 - Usually the supported organizations will be formally recognized as charities but can also include schools, universities, government departments or social enterprises.

- These organizations are not always legally defined or registered charities but can have a purpose, or be delivering an activity, that is broadly recognized as charitable (education, for example, is widely regarded as charitable around the world¹) and being managed in a way so as to deliver public rather than private benefit (i.e. not delivering financial or other returns to private individuals or groups, such as shareholders).
- Is a financial contribution (does not include in-kind donations or payroll giving – covered separately).
- Includes all donations made globally.
- Where a donation is in a foreign currency, it has been calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.
- All donations are recorded in the Grants tool.

In-kind giving

- Includes donations/gifts of either an asset or service to an organisation or individual, which is not in the form of cash. Examples of in-kind contributions may include a product such as a tank to a museum, or use of our technology or services by a charity or school.
- Does not include giving of Company time through its employees, which is covered separately as ‘volunteering’.
- Includes all donations made globally.
- The amount is calculated using a credible source. For example, a 3rd party valuation or going market rate.
- Where an in-kind donation is in a foreign currency, it has been converted and calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.

Payroll giving:

- This includes all money donated to charities where this has been directed by employees themselves.
- Only includes UK, US and Australian markets as these are the markets where the Company provides a system to enable employee donations.
- In the UK and Australia, this is via payroll donation systems that allow employees to direct a portion of their monthly pay to charities.
- In the US, employees use an online tool which they can access to control and manage their contributions – this is the Spark tool and is used as the data source for US payroll giving.
- Although the B4SI methodology suggests payroll giving should be included as leverage, BAE Systems report payroll giving as part of its employee fundraising due to giving systems in each market (US, UK, Australia) being Company established systems and because US giving is considered as part of employee fundraising when recorded through the Spark tool.
- Where payroll giving is in a foreign currency, it has been converted and calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.

Employee fundraising

- Employee fundraising includes any Company approved or organised fundraising activity through BAE Systems employees.
- Includes fundraising in cash terms only as collecting items or providing items or services is treated as an in-kind donation – please refer to section on in-kind donations above.
- In the US, the Spark tool is used to record employee fundraising.
- In all other markets, the Grants tool is used.
- As per section 3, all fundraising data is entered by a limited number of employees with access to the two tools, Spark and Grants.
- Where fundraising has taken place in a foreign currency, it has been converted and calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.

Charitable sponsorship

- All Company sponsorship activity where the funds are being provided to a charitable organisation (see definition in ‘donations’ section above) or cause but can also result in a marketing or awareness benefit for the Company.

- Includes all sponsorship activity across all markets and businesses where there is a charitable benefit, with activities ranging according to the charitable causes and criteria set out in its CI strategy and policy.
- All charitable sponsorship is recorded in the Grants tool.
- Where sponsorship has taken place in a foreign currency, it has been converted and calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.

Non-charitable sponsorship

- All sponsorship activity where payment has not been made to a charitable organisation or cause.
- Non-charitable activity is generally not reported in the Company's final CI total, unless the activity has led to a charitable benefit or advancement of a charitable cause. This is determined by the Group CI team reviewing the benefits and the outcome of the sponsorship and the Company's funds. A typical example of an activity that might be included is where sponsorship is agreed with a non-charitable entity or organisation, but that organisation is working to progress skills and capabilities in young people or people who have been disadvantaged in society. As per the B4SI framework, typical examples of where a sponsorship activity is not included is sponsorship of an event or exhibition or sponsorship of a business advocacy or trade organisation.
- All activity is recorded in the Grants tool and each sponsorship is reviewed line by line before deciding whether it should be included in the Company's reported totals.
- Where sponsorship has taken place in a foreign currency, it has been converted and calculated using the cash (GBP) spot rate as at 31 December 2022 applied retrospectively.

Volunteering

- Includes all charitable community activity in which an employee has given their time to the activity.
- Only time given during an employee's working hours is included.
- In the US, employees log their volunteering time through the Spark tool and this data is included in the final CI report. Employees must indicate whether the activity has taken place during Company time, however, an extra control has been added for 2022 in that the US CI team provide guidance on projects that they can guarantee are Company supported and only those hours are included in the US volunteering totals. The US CI team also reviews every 25th entry to check with the charity that the employee was present during the time recorded in the Spark tool.
- In all other markets, volunteering data is entered in the Grants tool. However, some external sources may be used to ensure greater accuracy for larger volunteering programmes. This includes the Science, Technology, Engineering and Maths (STEM) Ambassador system in the UK in which an employee, as a condition of their participation, is required to enter their activity on a third party platform 'STEM Learning' and therefore, data is extracted from this platform by the Education and Skills team and entered into the Grants tool.
- The total contribution value of Company volunteering is calculated by finding the average employee hour costs and multiplying this by the number of hours. The specific calculation is done using the total employee costs for 2022, provided by the finance team as part of the Annual Reporting process and dividing this by the total number of employees in 2022 as provided as an input in the Annual Reporting process.

ENVIRONMENT – GREENHOUSE GAS (GHG) EMISSIONS

Greenhouse gas emissions data is reported in line with an operational control method, we use the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard as guidance to support our approach to reporting. Our reporting boundary for Streamlined Energy and Carbon Reporting (SECR) is the same as our reporting boundary for the purposes of our financial statements.

Data covers a 12 month period between the 1 November 2021 to 31 October 2022.

Organisational and Operational Boundaries

The GHG protocol allows participants to arrange their organisational boundaries using two different methodologies. One using the equity share or two the control approach. The business has chosen to use the control approach. Furthermore the control approach selected allows for two further methodologies to be applied to define control either a financial approach or operational approach. The business uses the latter.

As a business we utilise a tool called the Global Property Database (GPD) to record and monitor locations which we either own or lease. Every location listed on the GPD for the purpose of GHG emissions reporting falls within our organisational boundary, however we may not report emissions from all these locations as we may not have operational control.

METHOD STATEMENTS

Emission factors for fuels and UK electricity are published at www.gov.uk/government/collections/government-conversion-factors-for-company-reporting. Emission factors for US electricity and natural gas are published at <https://www.epa.gov/climateleadership/ghg-emission-factors-hub>. Emissions factors for Australia (AUS) electricity and natural gas are published at <https://www.dcceew.gov.au/climate-change/publications/national-greenhouse-accounts-factors-2021>. Natural gas emission factors for Sweden's (SWE) operations are published at <https://unfccc.int/documents/224123>. Electricity emission factors for SWE, Saudi Arabia (KSA), and Rest of World (ROW) are published at <https://www.iea.org/data-and-statistics/data-product/emissions-factors-2022>.

For the 2022 reporting cycle, the 2022 UK Government emissions factors published by the Department for Business, Energy and Industrial Strategy (BEIS) have been used for majority of scope 1 and 3 calculations. Scope 2 emissions factors are from a variety of sources including country specific emissions factors such as, BEIS, Australian National Greenhouse Gas Accounts 2022, US Environmental Protection Agency (EPA) and International Energy Agency (IEA). The most up to date Emissions and Generation Resource Integrated Database (eGRID) factors published by US EPA are used for US electricity. For the 2022 reporting cycle, the most recent electricity US factors are from the year 2020. The US EPA are due to release the updated figures in quarter one of this year, however they have not been released in time to be used for the current calculations.

The principal record of the Group's worldwide facilities is its legal department's Global Property Database. The database holds records of all locations which are either wholly owned, leased or licenced sites.

Greenhouse gas emissions are primarily calculated from energy consumption records e.g. invoiced data or meter reads reported via the Group's global environmental database (CR Desktop). Where consumption records are not available estimates may be used and these will be highlighted in the database.

Where actual usage data is not available for facilities and residences within the Global Property Database, an estimated consumption is used based on the type of building.

Greenhouse gas emissions related to business travel include air travel data for the majority of the global business, rail data for business units operating in the UK and US, and vehicle (including hire car, company car and personal car) data for business units operating in the UK, US and Australia. These data sets are taken from suppliers' procurement records.

Emissions from pension scheme properties not occupied by the group are not included.

The property database details are taken in quarter 3 of the financial reporting year (Jan-Dec), this means any properties acquired between quarter 4 of the previous year and quarter 3 of the reporting year are included within the reporting boundary. If a business is acquired within quarter 4 of the financial reporting year it will be included in the reporting boundary in the next full reporting year after the change.

If a business or facility has closed between quarter 4 of the previous year and quarter 3 of the current year, it will not be included within the reporting boundary. Any locations which close in quarter 4 of the reporting year will be removed from reporting boundary in the next full reporting year after the change. Emissions from joint ventures are included in the dataset if BAE Systems have operational control at the site.

Trading of emissions are not taken into account for the purposes of reporting, for example where the business has a requirement to maintain compliance with trading schemes e.g. UK ETS, the total energy consumed is reported regardless of emissions trading.

The Scope 2 Greenhouse Gas Emissions associated with the GHG Protocol 'Market-Based' method have been calculated as 264,374 tCO₂e. In line with the GHG Protocol Guidance, this figure has been calculated using

residual-mix emission factors where available for our UK, US and Swedish operations. In our other significant operating regions, residual mix emission factors are either unavailable or the resulting absolute emissions at group level are within the margin of error and therefore country-specific emissions factors have been used in line with the GHG Protocol Guidance. If sites consume grid electricity backed by Renewable Energy Guarantee of Origin (REGOs), this has been taken into consideration within the calculations.

DIRECT (SCOPE 1): GREENHOUSE GAS EMISSIONS

Description – for calendar year 2022

Direct (Scope 1) GHG emissions come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organisation.

BAE Systems report direct GHG emissions related to the combustion of energy from usage data measured in our Scope 1 fields (Natural Gas, Liquefied Petroleum Gas or Propane Gas, Light Fuel Oil, Petrol, Heavy Fuel Oil, Aviation Fuel), plus:

- Natural Gas usage estimates for facilities at which we have a presence but do not process the utilities – based on known parameters within the BAE Systems Global Property Database for the reporting year (see estimation methodology below)
- Petrol / Diesel – purchased and consumed within BAE Systems controlled road vehicles (i.e. hire cars) where the fuel does not come from stores at the facility. In line with application guidance IFRS16 HM Treasury hire cars have been identified as scope 1 emissions as the contract between the business and the hire car firms convey a right of control to the lease. Further guidance is available in IFRS 16.
- Aviation fuel – purchased and consumed within BAE Systems controlled aircraft (i.e. Corporate Air Travel aircraft) where the fuel does not come from stores at the facility
- Renewable electricity – generated by on-site renewable technologies such as solar panels and where BAE Systems use 100% of the electricity generated on-site. The emissions from this source are disclosed as 0tCO₂e.
- Emissions from the combustion of Biomass are not included in scope 1 reporting.

Basis of Calculation – Converting to CO₂ Equivalent (CO₂e) – for calendar year 2022

BAE Systems direct GHG emissions are derived by calculation and expressed as CO₂ equivalent using the BEIS (previously DEFRA) Scope 1 GHG emission factors as listed in **Fig 1** below which represent the latest factors available for the majority of the reporting period. Scope 1 natural gas emission factors have been updated for SWE, US and AUS as country specific factors improve the accuracy of the calculations. If country specific factors could not be obtained for the reporting period then the UK factors have been used. **Fig 3** details the natural gas emission factors for SWE, US and AUS. The emission factors for these regions have been converted to kWh/kgCO₂e to allow the activity data reported in kWh to be converted in GHG emissions.

Where the Scope 1 emissions are associated with BAE Systems-controlled vehicles, **Fig 2** shows the BEIS conversion factors that are used if vehicle-specific emissions factors for the make and model cannot be used.

Activity	CR Desktop Name	BEIS Fuel	Unit	Energy - Gross CV
				kg CO ₂ e
Gaseous fuels	LPG or Propane Gas	LPG	kWh	0.21449
	Natural Gas	Natural gas	kWh	0.18254
Liquid fuels	Aviation Fuel	Aviation turbine fuel	kWh	0.24782
	Heavy Fuel Oil	Fuel oil	kWh	0.26815
	Light Fuel Oil	Gas oil	kWh	0.25679
	Petrol	Petrol (average biofuel blend)	kWh	0.22719

Figure 1 - Table showing factors used to convert CR Desktop energy data into tCO₂e (Conversion factors from Gov.UK published July 2022)

Activity	Type	Unit	Diesel	Petrol	Plug in Hybrid	Battery Electric	Unknown
			kg CO ₂ e	kg CO ₂ e	kg CO ₂ e	kg CO ₂ e	kg CO ₂ e
Cars (by size)	Small car	km	0.13989	0.14652	0.02216	0	0.1444
		miles	0.22514	0.2358	0.03567	0	0.23239
	Medium car	km	0.16800	0.1847	0.06475	0	0.17588
		miles	0.27039	0.29724	0.10421	0	0.28306
	Large car	km	0.20953	0.27639	0.0741	0	0.22733
		miles	0.33722	0.4448	0.11924	0	0.36584
	Average car	km	0.17082	0.17048	0.0684	0	0.17067
		miles	0.27492	0.27465	0.11007	0	0.27465

Figure 2 - Table showing factors used to convert hire car and executive-lease car mileage data to tCO₂e (Conversion factors from Gov.UK published July 2022)

Activity	Region	Unit	kgCO ₂ e	Source
Natural Gas	SWE	kWh	0.1999	Swedish Greenhouse Gas inventories for 1990-2020 years' emissions to the UNFCCC-Updated: 2 December 2021
	US	kWh	0.1812	US Environmental Protection Agency (document modified 1 April 2021)
	AUS	kWh	0.1855	Australian Government. Natural Greenhouse Accounts Factors - August 2021 p13

Figure 3 – Table showing factors used to convert natural gas to tCO₂e for SWE, US and AUS.

Method of Calculation – for calendar year 2022

For facilities where we process the utilities, direct energy emissions are calculated from the actual energy data recorded within CR Desktop in kWh multiplied by the corresponding CO₂e emissions factor, as listed in the Table in Fig 1.

For facilities at which we have a presence and we have operational control but do not process the utilities (and therefore which are not recorded within CR Desktop), an estimate of the natural gas usage in kWh is made using the building type for that facility within the Global Property Database (GPD) and the look up estimate values in the table in Fig 4 below. For facilities where the floor area is unknown, a reference value according to property/site type is applied from the table below. The kWh value is then multiplied by the corresponding CO₂e emissions factor, as listed in Fig 1 above. To note, the estimation calculations are for Scope 1 and 2 emissions. Scope 2 emissions are discussed in more detail in the next section. We do not estimate sites where we do not have operational control for example locations where we have a presence on a customer location and are contracted to be in a that specific area/building. In these cases our employees can't be moved from these building's without customer authorisation.

Estimates for 2022 are based on a variety of sources of information detailed in Fig 4, including both internal and external sources. Where internal data is available CR Desktop data has been utilised to benchmark similar locations. Where internal data is not available, externally available sources have been used including ECON75-MOD Benchmarks, The Chartered Institute of Building Services Engineers 2008 (CIBSE) TM46, Building Better Partnerships Real Estate Environmental Benchmarks 2019 (BBP_REEB Benchmarks) and ofgem reports.

For petrol / diesel / electricity (from hybrids and fully electric vehicles – EVs) associated with BAE Systems-controlled road vehicles, data is gathered centrally where available for three regions (UK, US and Australia) for hire cars. In both the UK and Australia, mileage data is provided directly from the hire car suppliers. Trip distances are multiplied by the relevant emissions factor to create a value of tCO₂e for all journeys.

For aviation fuel associated with BAE Systems-controlled aircraft in the UK and US, data is gathered from the CR Desktop system for all locations with the exception of Warton. The data is, processed into a kWh value and then converted to tCO₂e using the aviation fuel conversion factor in **Fig 1** above. Aviation fuel at Warton is provided directly from BP. Where Corporate air travel takes place internationally, aviation fuel is estimated and added to the totals. Corporate Air Travel (CAT) is estimated based on number of trips between two known locations and estimated fuel usage per trip for each aircraft type.

GPD Property/Site Category	Gas (kWh / m ² / year)	Average Floor area (m ²)	Estimated Annual Gas (kWh)	Source of Estimate(s)
Airfield	-	-	1,000,000	ECON 75 - MOD Benchmarks (Cat 4 Hanger: very low heating or store with low activity)
Car Parking	-	-	-	No gas consumption for car parks
Hangar	160	11000	1,760,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 energy benchmark for storage facility. Guide states storage facility benchmark can be used for fixed wing aircraft storage. Average floor area for known hangar sites used.
Industrial	-	-	3,604,189	kWh from industrial site in CRD
Laboratory	160	636	101,760	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - laboratory or operating theatre
Land	-	-	-	Assume no consumption as surplus land
Surplus Land	-	-	-	Assume no consumption as surplus land
Manufacturing	-	-	4,571,165	Average manufacturing sites with data in CRD
Mixed	-	-	2,510,582	Average of an office and manufacturing
Mixed Use	-	-	2,510,582	Average of an office and manufacturing
Offices	75	6,000	450,000	Building Better Partnerships Real Estate Environmental Benchmarks 2019 (BBP_REEB Benchmarks) (non-air conditioned office) p3
Offices US	288	3,000	864,000	The Climate Registry 2020 default Emission Factors - Office (source specific to US sites)
Other	-	-	1,157,799	Same as 'Unknown'
Playing fields	-	-	-	Assume no consumption
Recreational use	-	-	-	Assume no consumption
Residential	-	-	12,000	Ofgem typical medium household (class 2) consumption figures 2020
Shipyards	-	-	545,000	Average of known Aus Shipyards
Social Clubs	150	6,000	900,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - schools and seasonal public buildings
Storage	160	1,000	160,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - Storage facility benchmark
Support	-	-	-	No sites listed as support.
Test Site	-	-	-	CRD data for test sites
Training Centre	150	6,000	900,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - schools and seasonal public buildings
Unknown	-	-	1,157,799	Average of all types (except manufacturing)

GPD Property/Site Category	Gas (kWh / m ² / year)	Average Floor area (m ²)	Estimated Annual Gas (kWh)	Source of Estimate(s)
Workshop	180	1,800	324,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - workshop or open working area (not office)

Figure 4 - Benchmark Estimate Values for Gas Usage

Total estimated emissions from natural gas are 18,127 tCO₂e and represent 16% of scope 1 emissions

Unit of Measure – for calendar year 2022

tCO₂e

FUGITIVE EMISSIONS (Scope 1)

Fugitive emissions have been calculated for a sample of several locations using Fluorinated Greenhouse records. The results have been scaled up using number of employees. The total losses amount to less than 5% of scope 1 emissions and are considered to be immaterial, and are therefore not disclosed.

ENERGY INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS – LOCATION-BASED METHOD

Description – for calendar year 2022

An organisation's energy indirect (Scope 2) GHG emissions result from the generation of the electricity, heating, cooling, and steam which it purchased from other organisations for its own consumption.

The GHG Protocol's 'Location-Based' method requires the calculation of emissions associated with Scope 2 GHGs using data related to 'grid average emissions profiles' for the locations where the electricity is consumed.

BAE Systems reported Scope 2 'Location-Based' emissions relate to the data in our Scope 2 fields (grid electricity, steam and grid electricity used by EVs), plus electricity usage estimates for facilities at which we have a presence but do not process the utilities - based on known parameters within the BAE Systems GPD for the reporting year (see estimation methodology below).

Scope 2 electricity emissions for the UK are calculated by multiplying the kWh of electricity by the BEIS conversion factor, as per the basis of calculation below. Scope 2 electricity emissions for SWE Sweden, KSA, and for sites within the ROW category are calculated by multiplying the relevant IEA conversion factor by the kWh of electricity, as per the basis of calculation below. Scope 2 electricity emissions for the US are derived by using US EPA's eGRID factors applied to electricity kWh, as per the basis of calculation below. Scope 2 electricity emissions for AUS are from the Australian Government. There are separate emission factors for each region, however as we are unable to disaggregate the locations of the sites under each CR Desktop site, the national average emission factor has been used in the calculation.

Scope 2 electricity emissions for UK hybrid vehicles are calculated by multiplying the miles travelled by the relevant conversion factor published by BEIS.

Note that in most cases, BAE Systems is using the location-based approach to calculate Scope 2 emissions. For regions where supplier-specific or residual mix emissions factors are available, the GHG Protocol 'Market-Based' Method will be applied. Additionally, if sites have grid electricity backed by REGOs then the 'Market-Based' Method will be applied. Please refer to the Energy Indirect (Scope 2) Greenhouse Gas Emissions – Market-Based Method section below.

Basis of Calculation – Converting to CO₂ Equivalent (CO₂e) – for calendar year 2022

BAE Systems indirect 'Location-Based' GHG emissions for the UK are calculated using the BEIS Scope 2 GHG emissions factor for Grid Electricity, as listed in Fig 5 below. Indirect 'Location-Based' GHG emissions for SWE and KSA are calculated using the IEA GHG emission factors for Grid Electricity for the country in which the facility is located. For ROW sites, the IEA 'Memo: IEA Total' emission factor is used as this is deemed the most appropriate factor based on the countries within the ROW category and the countries used within the 'Memo: IEA Total' factor. GHG emissions for AUS are calculated using the national average figure published by the

Australian Government’s National Greenhouse Gas Accounts. The IEA emission factors are listed in **Fig 6** below. The AUS emission factors are listed in **Fig 7** below.

BAE Systems indirect ‘Location-Based’ GHG emissions for the US are derived by calculations using emission factors that are specific to each eGRID region. The US sites are categorised into an eGRID region based on the state, which determines the relevant eGRID factor to use. This method takes into consideration the different fuel mixes and plant-specific data across the whole of the US which varies considerably. The eGRID emission factors can be downloaded from the following location <https://www.epa.gov/energy/emissions-generation-resource-integrated-database-egrid>. The eGRID emission factors that are required each year will depend on the locations of the US sites and may vary from year to year. The current factors are based on eGRID2020.

GHG emissions from the use of steam is calculated by multiplying the activity data in kWh by the steam emission factor detailed in **Fig 8**.

Activity	CR Desktop Name	Country	Unit	kg CO ₂ e
Electricity generated	Grid Electricity	Electricity: UK	kWh	0.19338

Figure 5 - UK Grid Electricity Emissions Factor (Conversion factors from Gov.UK published July 2022)

Activity	CR Desktop Name	Country	Unit	kg CO ₂ e
Electricity Generated	Grid Electricity	Electricity: Saudi Arabia	kWh	0.612
		Electricity: Sweden	kWh	0.0146
		Electricity: ROW Average (Memo: IEA Total)	kWh	0.3304

Figure 6 -IEA Grid Electricity Emissions Factors 2022

State, Territory or grid description	Unit	kgCO ₂ e
National	kWh	0.68

Figure 7 – Australian Electricity Emission Factor (Conversion factors from Australian National Greenhouse Accounts - Nov 2022).

Activity	CR Desktop Name	Unit	kg CO ₂ e
Heat and steam	Steam	kWh	0.17073

Figure 8 – Steam Emission Factor (Conversion factors from Gov.UK published July 2022)

Method of Calculation – for calendar year 2022

For facilities where we process the utilities, grid electricity emissions are calculated from the actual or estimated energy data recorded within CR Desktop in kWh multiplied by the corresponding CO₂e emissions factor according to the country, or by using the correct eGRID factor.

For ease of calculation, the final tCO₂e figures and the creation of the final GHG Location Based calculator should be calculated once all Scope 1, 2 and 3 activity data has been collated.

For facilities at which we have a presence and we have operational control but do not process the utilities (and therefore which are not recorded within CR Desktop), an estimate of the electricity usage in kWh is made using parameters of property/site category and Floor Area held for that facility within the GPD applied to the look up estimate values in the table in **Fig 9** below. For facilities where the floor area is unknown, a reference value according to is applied from the table in **Fig 9**. The kWh value is then multiplied by the corresponding CO₂e emissions factor as listed in **Figs 5,6,7 and 8** above. The electricity and gas estimations are calculated within the same spreadsheet.

We do not estimate sites where we do not have operational control for example locations where we have a presence on a customer location and are contracted to be in a that specific area/building. In these cases our employees can’t be moved from these building’s without customer authorisation.

GPD Property/Site Category	Electricity (kWh / m2 / year)	Average Floor area (m2)	Estimated Annual Elec (kWh)	Source of Estimate(s)
Airfield	-	-	90,000	ECON 75 - MOD Benchmarks (Cat 4 Hanger: very low heating or store with low activity)
Car Parking	-	-	36,014	2020 metered data from Scotstoun 400 space car park.
Hangar	35	11,000	385,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 energy benchmark for storage facility. Guide states storage facility benchmark can be used for fixed wing aircraft storage. Average floor area for known hangar sites used.
Industrial	-	-	18,144,245	kWh from industrial site in CRD
Laboratory	160	636	101,760	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - laboratory or operating theatre
Land	-	-	-	Assume no consumption as surplus land
Surplus Land	-	-	-	Assume no consumption as surplus land
Manufacturing	-	-	4,610,470	Average manufacturing sites with data in CRD
Mixed	-	-	2,677,235	Average of an office and manufacturing
Mixed Use	-	-	2,677,235	Average of an office and manufacturing
Offices	124	6,000	744,000	Building Better Partnerships Real Estate Environmental Benchmarks 2019 BP_REEB (non-air conditioned office) p3
Offices US	171	3,000	513,000	The Climate Registry 2020 default Emission Factors - Office (source specific to US sites)
Other	-	-	871,371	Same as 'Unknown'
Playing fields	-	-	-	Assume no consumption
Recreational use	-	-	-	Assume no consumption
Residential	-	-	4,200	Ofgem typical medium household (class 2) consumption figures 2020
Shipyards	-	-	306,000	Average of known Aus Shipyards
Social Clubs	40	6,000	240,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - schools and seasonal public buildings
Storage	35	1,000	35,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - Storage facility benchmark

GPD Property/Site Category	Electricity (kWh / m2 / year)	Average Floor area (m2)	Estimated Annual Elec (kWh)	Source of Estimate(s)
Support	-	-	-	No sites listed as support.
Test Site	-	-	1,518,577	CRD data for test sites
Training Centre	40	6,000	240,000	The Chartered Institute of Building Services Engineers (CIBSE) TM46 - schools and seasonal public buildings
Unknown	-	-	871,371	Average of all types (except manufacturing)
Workshop	35	1,800	63,000	Same as 'Unknown'

Figure 9 - Benchmark Estimate Values for Electricity Usage

Total estimated emissions from electricity are 55,638 tCO₂e and represent 20% of scope 2 emissions.

Unit of measure – for calendar year 2022

tCO₂e

ENERGY INDIRECT (SCOPE 2) GREENHOUSE GAS EMISSIONS – MARKET-BASED METHOD

Description

An organisation's energy indirect (Scope 2) GHG emissions result from the generation of the electricity, heating, cooling, and steam which it purchased from other organisations for its own consumption.

The GHG Protocol's 'Market-Based' method requires the calculation of emissions associated with Scope 2 GHGs using data provided by relevant energy suppliers that is specific to their supplies. If relevant supplier information is not available, then residual mix factors can be used for the calculation as per the GHG Protocol.

BAE Systems reported Scope 2 'Market-Based' emissions related to the data in our Scope 2 fields (grid electricity, steam), plus

- Electricity usage estimates for facilities at which we have a presence but do not process the utilities – based on known parameters within the BAE Systems Global Property Database for the reporting year (see estimation methodology below).

Basis of Calculation – Converting to CO₂ Equivalent (CO₂e)

For the current year the BAE Systems indirect 'Market-Based' GHG emissions are derived using residual mix conversion factors for the UK, US and SWE, and green tariff/renewable attribute certification information. **Fig 10** below denotes the residual mix factors used for the current year. For the regions KSA, AUS and Rest of World, 'location based' emissions factors are used as supplier emissions factors or residual mix factors are not currently available. In these scenarios the method statements associated with the 'Energy Indirect (Scope 2) Greenhouse Gas Emissions – Location Based' apply, and therefore the resulting GHG values will not differ from those published for that category.

Region / Supply Type	Relevant Supplier (s)	Fuel Mix	Emissions Factor to Apply	Emissions Factor Applies to
UK / Purchased Electricity	Unknown	N/A	Supplier specific emissions not available for all UK sites. REGOS certificates cover majority of UK emissions and grid electricity backed by REGOs has 0tCO ₂ e.	All UK electricity (CRD + Estimates)

			All kWh grid electricity not backed by REGOs has been multiplied by the 'residual mix' emissions factor for the UK published by Association of Issuing Bodies of 0.351. Source: European Residual Mixes 2021, Association of Issuing Bodies https://www.aib-net.org/facts/european-residual-mix	
US / Purchased Electricity	Several	NA	Supplier specific emission factors not available for US sites. In line with the GHG Protocol Guidance, we have used the Green-e Residual mix Emission rates published for the US (https://www.green-e.org/2022-residual-mix). Due to a highly dispersed electricity supply across our US operations (as noted in the Relevant Suppliers section) we have used the average of the residual mix values published, resulting in an emissions factor of 0.381. The figure used this year is from the 2022 published residual mix figures which are based off 2020 data.	All US electricity (CRD + estimates)
SWE/ Purchased Electricity	Övik Energi AB	NA	In line with the GHG Protocol Guidance, we have used the 'residual mix' emissions factor for Sweden published by the European Union of 0.08.	All SWE electricity (CRD + Estimates)
KSA / Purchased Electricity	Saudi Electricity Company (SEC) are a monopoly supplier in KSA. This has not been checked for the FY21 calculations.	As KSA grid-average (only electricity supplier in the country)	No residual mix factors provided for KSA, therefore in line with the GHG Protocol, the location based factor has been used.	NA – 'Location Based Method Used'
Australia / Purchased Electricity	Multiple suppliers, no 'GreenPower' contracts	Suppliers in Australia use the government's 'location-based' emissions factor, unless formally supplying 'GreenPower'	Residual Mix emissions factor should apply, but Australian government advises that this factor is within the uncertainty range associated with the standard 'location-based' emissions factor in Australia, and therefore the latter should apply.	NA – 'Location-Based Method Used'

Figure 10 – Supplier Emissions Data for deriving our Scope 2 'Market-Based' GHG emissions

Method of Calculation

For facilities where we process utility data, grid electricity emissions are calculated from the actual or estimated energy data recorded within CR Desktop in kWh multiplied by the corresponding CO₂e emissions factor according to the suppliers green energy tariff, REGOS, residual mix factor or location based factor as listed in **Fig 10** above.

Unit of measure – for calendar year 2022
tCO₂e

OTHER INDIRECT (SCOPE 3): GREENHOUSE GAS EMISSIONS

Description – for calendar year 2022

Other indirect (Scope 3) emissions are a consequence of the activities of the organisation, but occur from sources not owned or controlled by the organisation. Some examples of Scope 3 activities are the extraction and production of purchased materials; the transportation of purchased fuels in vehicles not owned or controlled by the organisation; and the end use of products and services.

BAE Systems reported Scope 3 emissions currently related to business travel and include data related to commercial flights, rail, and grey fleet vehicle travel (as described as company car and personal car vehicle travel within the data calculations).

Travel data is obtained from a number of sources such as, the business internal expense system and various travel providers. Journeys are included if they fall within the reporting period. At the time of preparing the report hire car data for October 2022 was not available for the Australian business, October 2021 data has been used as an estimate to cover the full 12 month period.

Scope 3 emissions are derived by using published (BEIS) conversion factors and the data related to distance travelled (and also class of the flights for the flight data if available).

Basis of Calculation – Converting to CO₂ Equivalent (CO₂e) – for calendar year 2022

BAE Systems Scope 3 (Other Indirect) GHG emissions are derived by calculation and expressed as CO₂ equivalent using the BEIS tables in **Figs 11, 12 and 13** below that show conversion factors for commercial flights, rail and grey fleet travel, which represent the latest factors available at the start of the reporting year.

				With RF
Activity	Haul	Class	Unit	kg CO ₂ e
Flights	Domestic	Average passenger	passenger.km	0.24587
		Short-haul	Average passenger	passenger.km
	Long-haul	Economy class	passenger.km	0.15102
		Business class	passenger.km	0.22652
		Average passenger	passenger.km	0.19309
		Economy class	passenger.km	0.14787
		Premium economy class	passenger.km	0.23659
		Business class	passenger.km	0.42882
First class	passenger.km	0.59147		

Figure 11 - Air Travel Emissions Factors (Conversion factors from Gov.UK published July 2022)

Activity	Type	Unit	kg CO ₂ e
Rail	National rail	passenger.km	0.03549

Figure 12 - Rail Travel Emissions Factors (Conversion factors from Gov.UK published July 2022)

			Diesel	Petrol	Pug in Hybrid	Battery Electric Vehicle	Unknown
Activity	Type	Unit	kg CO ₂ e	kg CO ₂ e	kg CO ₂ e	kg CO ₂ e	kg CO ₂ e
Cars (by size)	Small car	km	0.13989	0.14652	0.05255	0.04416	0.14440
		miles	0.22514	0.23580	0.08458	0.07107	0.23239
	Medium car	km	0.16800	0.18470	0.08597	0.04878	0.17588
		miles	0.27039	0.29724	0.13834	0.07850	0.28306
	Large car	km	0.20953	0.27639	0.10148	0.05550	0.22733

	Average car	miles	0.33722	0.44480	0.16332	0.08932	0.36584
		km	0.17082	0.17048	0.09349	0.05140	0.17067
		miles	0.27492	0.27436	0.15046	0.08272	0.27465
Motorbike	Average	km	-	-	-	-	0.11355
		miles	-	-	-	-	0.18274

Figure 13 – Vehicle Travel Emission Factors (Conversion factors from Gov.UK published July 2022)

Method of Calculation – for calendar year 2022

Business travel data is collected for commercial flights, rail travel and grey fleet across our four main regions (UK, US, Australia, Saudi Arabia) where available.

Commercial flight data is gathered from the flight booking partner in the UK and US about the distances and flight class associated with each individual journey. Similar flight data is gathered from local BAE Systems contacts in Australia, Saudi Arabia and Sweden. The distances and classes associated with each journey are then processed into ‘Short Haul’; ‘Medium Haul’; and ‘Long Haul’ flights so that the conversion factors in **Fig 11** can be applied. To note, the Domestic conversions are used for ‘Short Haul’ BAE flights, Short Haul conversions are used for ‘Medium Haul’ BAE flights and Long Haul conversions for ‘Long Haul’ BAE flights. The MH and LH distance thresholds have been taken from UK BEIS conversion factors. The SH (also known as ‘domestic’) distance threshold has been verified against the GHG Protocol and US Environmental Protection Agency distance thresholds. The departure date is used to collate the flights to ensure all flights taken in the reporting year are included in the calculations. Flight data should be requested per flight leg in order to accurately map the haul class to the distance data. Additionally, flight data is only included in the calculations if the departure date is within the reporting period.

Rail travel data is available in the UK and US. In the UK, data is gathered from the rail booking partner in relation to the distances associated with each individual journey. In the US, data is gathered direct from Amtrak in relation to the distances associated with each individual journey. These distances are then categorised according to the ‘type’ of rail travel in **Fig 12** and converted to tCO₂e appropriately.

Grey fleet travel data is available for the UK, US and AUS and is gathered internally. The data is provided in separate company car and personal car mileage spreadsheets. These distances are then categorised into fuel type and converted to tCO₂e using the conversion factors in **Fig 13**.

Unit of measure – for calendar year 2022

tCO₂e

Tracking Emissions over Time

For the purposes of developing our scope 1 and 2 Net Zero road maps a baseline year of 2019 was selected.

Recalculating Base year emissions

The business has defined its recalculation policy as:

Where any structural changes take place within the business which has a significant impact on the base year emissions. E.g. transfer of ownership or control of emissions-generating activities or operations from one company to another, the base year will be recalculated. This will take place for the following activities:

- Mergers, acquisitions, and divestments
- Outsourcing and insourcing of emitting activities
- Changes in calculation methodology or improvements in the accuracy of emission factors or activity data that result in a significant impact on the base year emissions data
- Discovery of significant errors, or a number of cumulative errors, that are collectively significant.

We do not set a numerical threshold for significance but will consider the impact of the activities above and the need for recalculation on an annual basis.

Footnotes:

1. In countries where there are no legal restrictions on the implementation of our helpline.

2. All reports prior to 2014 were previously called accounting charging practices.
3. Headcount is based on the number of employees including those individuals who whilst being employed by a third party, are under the direct management control of BAE Systems.
4. Since the 2009 data capture, the definitions relating to data points for safety have been reviewed and changes made to add clarity to the collection process. The definition of Major Injury changed for the 2017 reporting year to more closely reflect the definitions of major injuries within the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2014. Prior year figures have not been restated to meet the new definition.
5. Sites which have less than 150 personnel, and are considered a low risk e.g. office environments, are not required to submit safety data on a site by site basis. This data can be aggregated into a 'miscellaneous section' should the parent business wish to do this.
6. The method of data collection at a site level is not mandated. In some home markets, national legislation requires data to be recorded in prescribed formats which prevents the use of a standard BAE Systems format across the whole of the Company.
7. Data is collected locally at a site level, entered onto the CR Desktop database and is then validated by a manager within the parent business who is responsible for the accuracy of the data. At a corporate level, the ESG Department carry out further checks of data entered using previous data sets as a guide so that potential 'rogue' data can be captured and queried with the source site.
8. Data is captured in each home market and other countries of business and where required presented to the following legislative bodies:
 - Home market or country of business Legislative body - safety
 - UK (plc) Health and Safety Executive
 - US (Inc.) OSHA
 - Australia - Commonwealth Australian Safety and Compensation Council (ASCC) and Comcare
 - Australia - Australian Capital Territory ACT Workcover
 - Australia - New South Wales NSW Workcover
 - Australia - Northern Territory NT Worksafe
 - Australia - South Australia Worksafe SA
 - Australia - Queensland Queensland Workplace Health and Safety
 - Australia - Victoria Worksafe Victoria
 - Australia - Western Australia Worksafe WA
 - Saudi Arabia (KSA) 'Labour Law' issued by the Ministry of Labour under royal decree
 - South Africa (RSA) South African Department of Labour
 - Sweden Swedish Work Environment Authority
 - India Ministry of Labour supported by Directorate General, Factory Advice Service & Labour Institutes (DGFASLI)
9. The total number of employees here is an average over the last twelve months from CR Desktop.