

Independent Limited Assurance Report to the Directors of BAE Systems plc

Independent Limited Assurance Report by Deloitte LLP to the Directors of BAE Systems plc on selected Environmental, Social and Governance (“ESG”) metrics (the “Selected Information”) within the Annual Report for the reporting year ended 31 December 2022.

What we found: our limited assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2022, as listed below and indicated with a ‘1’ on pages 52 (under the heading ‘Greenhouse gas emissions data’), 53 and 64, and ‘4’ on page 52 (under the heading ‘2022 key environment data’) of the Annual Report, has not been prepared, in all material respects, in accordance with the Applicable Criteria defined by the directors.

The Applicable Criteria can be found at baesystems.com/annual-report.

We draw attention to the following matters, which are described within the Applicable Criteria:

- For facilities at which BAE Systems plc have a presence and have operational control, but do not control the utilities, the natural gas and electricity consumption data is not recorded within the environmental reporting system and is therefore estimated. Total estimated emissions from natural gas are 18,127 tCO₂e and represent 16% of scope 1 emissions and from electricity are 55,638 tCO₂e and represent 20% of scope 2 emissions.
- In the absence of invoiced data or meter readings, estimations for energy consumed may be used and reported in the environmental reporting system.

Our opinion is not modified in respect of these matters.

What we looked at: scope of our work

BAE Systems plc has engaged us to provide independent limited assurance in accordance with International Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (“ISAE 3000 (Revised)”), Assurance Engagements on Greenhouse Gas Statements (“ISAE 3410”) issued by the International Auditing and Assurance Standards Board (“IAASB”) and our agreed terms of engagement.

The Selected Information in scope of our engagement, indicated with a ‘1’ in the Annual Report is as follows:

Selected Information (for period 1 November 2021 to 31 October 2022)	Unit of measurement	Reported amount
Total global scope 1 emissions	<i>Tonnes CO₂e</i>	113,089
Total global market-based Scope 2 emissions	<i>Tonnes CO₂e</i>	264,374
Total global location-based Scope 2 emissions	<i>Tonnes CO₂e</i>	281,182
Total global scope 1 and 2 emissions	<i>Tonnes CO₂e</i>	394,271
Total global scope 3 emissions categories: - Emissions from employee business travel	<i>Tonnes CO₂e</i>	62,519

Total electricity consumption	<i>kWh</i>	883,678,113
Total global absolute energy consumption	<i>kWh</i>	1,469,387,190

Selected Information (for period 1 January 2022 to 31 December 2022)	Unit of measurement	Reported amount
Total value of community programme donation	£	11,504,512

The Selected Information needs to be read and understood together with the Applicable Criteria which can be found at baesystems.com/annual-report.

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria as defined in ISAE 3000 (Revised) and ISAE 3410. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The self-defined Applicable Criteria, the nature of the Selected Information, and absence of consistent external standards allow for different, but acceptable, measurement methodologies to be adopted which may result in variances between entities. The adopted measurement methodologies may also impact comparability of the Selected Information reported by different organisations and from year to year within an organisation as methodologies develop.

Directors' responsibilities

The Directors are responsible for preparing an Annual Report which complies with the requirements of the Companies Act 2006 and for being satisfied that the Annual Report, taken as a whole, is fair, balanced and understandable.

The Directors are also responsible for:

- Selecting and establishing the Applicable Criteria.
- Preparing, measuring, presenting, and reporting the Selected Information in accordance with the Applicable Criteria.
- Publishing the Applicable Criteria publicly in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.
- Providing sufficient access and making available all necessary records, correspondence, information, and explanations to allow the successful completion of the Services.

Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained.
- Communicating matters that may be relevant to the Selected Information including fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the Directors.

Our independence and competence

In conducting our engagement, we complied with the independence requirements of the FRC's Ethical Standard and the ICAEW Code of Ethics. The ICAEW Code is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We have also complied with Deloitte's independence policies, which address and, in certain cases, exceed the requirements of the ICAEW Code in our role as independent assurance providers, and in particular preclude us from taking financial, commercial, governance and ownership positions which might affect, or be perceived to affect, our independence and impartiality, and from any involvement in the preparation of the report.

We have confirmed to BAE Systems plc that we have maintained our independence and objectivity throughout the period and in particular that there were no events or prohibited services provided which could impair our independence and objectivity.

We applied the International Standard on Quality Management 1 ("ISQM 1"). Accordingly, we maintained a comprehensive system of quality including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

What we did: key procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out our limited assurance engagement on the Selected Information, we performed the following procedures:

- Performed analytical review procedures and considered the risks of material misstatement of the Selected Information.
- Through inquiries, obtained an understanding of the entity, its environment, processes, and information systems relevant to the preparation of the Selected Information sufficient to identify and assess risks of material misstatement in the Selected Information, and provide a basis for designing and performing procedures to respond to assessed risks and to obtain limited assurance to support a conclusion.
- Through inquiries, obtained an understanding of internal controls relevant to the Selected Information, the quantification process and data used in preparing the Selected Information, the methodology for gathering qualitative information, and the process for preparing and reporting the Selected Information. We did not evaluate the design of internal control activities, obtain evidence about their implementation or test their operating effectiveness.
- Through inquiries, documented whether an external expert has been used in the preparation of the Selected Information, then evaluated the competence, capabilities, and objectivity of that expert in the context of the work performed and also the appropriateness of that work as

evidence. We have performed inquiries with third party experts to obtain an understanding of the work they performed.

- Inspected documents relating to the Selected Information, including board committee minutes and where applicable internal audit outputs to understand the level of management awareness and oversight of the Selected Information.
- Performed procedures over the Selected Information, including recalculation of relevant formulae used in manual calculations and assessed whether the data has been appropriately consolidated.
- Performed procedures over underlying data on a statistical sample basis to assess whether the data has been collected and reported in accordance with the Applicable Criteria, including verifying to source documentation.
- Performed procedures over the completeness of the data population, including assessing the appropriateness of the inclusion or exclusion of a sample of sites.
- Assessed management's assumptions and estimates in relation to the Selected Information.
- Accumulated the misstatements and control deficiencies identified, assessing whether material.
- Read the narrative accompanying the Selected Information with regard to the Applicable Criteria, and for consistency with our findings.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are lesser in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Use of our report

This report is made solely to the Directors of BAE Systems plc in accordance with ISAE 3000 (Revised), ISAE 3410 and our agreed terms of engagement. Our work has been undertaken so that we might state to the Directors of BAE Systems plc those matters we have agreed to state to them in this report and for no other purpose.

Without assuming or accepting any responsibility or liability in respect of this report to any party other than BAE Systems plc and the Directors of BAE Systems plc, we acknowledge that the Directors of BAE Systems plc may choose to make this report publicly available for others wishing to have access to it, which does not and will not affect or extend for any purpose or on any basis our responsibilities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than BAE Systems plc and the Directors of BAE Systems plc as a body, for our work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
London, UK
22 February 2023