All employees are expected to maintain the highest standards of personal conduct and integrity at all times in the conduct of the Company’s affairs.

**Performance – no 1 priority**
We will set targets to be the best, continually challenging and improving the way we do things, both as individuals and as members of our teams.

**Customers**
We will delight all our customers, both internal and external, by understanding and exceeding their expectations.

**People**
All our people will be encouraged to realise their full potential as valued members of the team.

**Partnering**
We will strive to be the partner of choice, respected by everyone for our co-operation and openness.

**Innovation and technology**
We will encourage a hunger for new ideas, new technologies, and new ways of working, to secure sustained competitive advantage for our company.

BAE SYSTEMS the systems company, innovating for a safer world.
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BAE SYSTEMS has a global reach with 100,000 employees and operations in over 80 countries. Our social focus is on our people and the communities where they work, and we recognise that a wide range of stakeholders have valid expectations on how we should behave.
BAE SYSTEMS has annual sales of around £13 billion. The company offers a global capability in air, sea, land and space systems with a world-class prime contracting ability supported by a range of key skills.

We design and manufacture military aircraft, surface ships, submarines, space systems, radar, avionics, communications, electronics, guided weapon systems and a range of other defence products. BAE SYSTEMS is dedicated to making the intelligent connections needed to deliver innovative solutions.

We are proud of our work and achievements so far in community and environmental performance, but we know that we still have much to do, not least to work with others in understanding exactly what expectations we can or cannot meet. In 2001 we appointed a senior executive with responsibility for corporate social responsibility (CSR). This review represents the first comprehensive description of our activities world-wide. We are committed to reporting annually on CSR issues, achievements and progress.

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<th>Employee distribution across our primary business operations</th>
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We take seriously our responsibilities to our people, our communities and the societies where we operate around the world. Corporate Social Responsibility – the management of our social and environmental issues – has a very high priority in our company.
Protecting the health and safety of our people has always been critically important to us. By a combination of best practice and sheer determination, we have successfully reduced the number of accidents at the majority of our sites and are applying particular efforts to those where we recognise there to still be an issue. At the same time, we work hard to ensure that the health and wellbeing of our people are constantly improved.

Our focus is to innovate for a safer world. We achieve this by continually improving our products and developing leading-edge technologies, whilst also protecting the environment. We remain determined to reduce emissions and eradicate waste.

Through the ingenuity of our engineers, military technologies are increasingly being used for civilian applications. An example is the dual fuel bus in New York City, which uses our HybriDrive™ propulsion system to charge its batteries during braking (page 32). This enables the bus to run on electricity for part of its journey, bringing environmental benefits by reducing emissions.

We are exceptionally proud of the huge efforts made by our people across the company to contribute to their local communities. Those participating in our Charity Challenge programme (page 17) for example, have donated 2,382 days of their own time and raised over £4 million - an incredible achievement. Our Engineers in Schools programme promotes the development of science and engineering and over 700 of our people are involved. We also strongly encourage employees to become school governors and we currently have around 200 within the UK alone supporting the future of young people.

Our people are spread across the globe and are engaged in a wide range of different activities. To be successful as a team we have to create an atmosphere where everyone’s contribution is recognised and valued. This means nurturing our skill base and encouraging continued learning throughout everyone’s career; supporting diversity; recognising talent, and promoting innovation. The vision and values of BAE SYSTEMS are central, as are the initiatives and programmes outlined in this review. We at BAE SYSTEMS are proud of our company and our achievements in recent years.

Key CSR objectives for 2002

- Establish a company-wide framework to co-ordinate, monitor and develop our CSR activities
- Develop metrics and targets to assess and demonstrate how our CSR activities deliver value to stakeholders
- Develop and implement a framework to ensure we deliver on our commitment to the UK Government’s Revitalising Health & Safety Strategy
- Continue to implement the key aspects of our human resources strategy to enhance the business results through the high performance of our people.

Key CSR achievements 2001

- Safety: Accident rate continues to be lower than UK average in sector
- Charity: over £4 million raised and 2,382 days donated for Help the Hospices through our Charity Challenge campaign
- Standards: 10 more UK sites and 10 US sites achieved ISO 14001 accreditation
- Education: Continued global promotion and support of science and engineering in schools and colleges
- Management: Established global system for health, safety and environmental data collation, enabling better management
- Employee satisfaction: 65% response rate to first company-wide employee opinion survey. Improvement actions identified
- Transparency: first global CSR Review published.

We recognise that corporate social responsibility is a road of continuous improvement and are confident that the energy and determination of the employees of this company will deliver. As evidenced by this report, we aspire to be a leading example of corporate social responsibility and are working towards the realisation of this aim.

Mike Turner
our role and responsibility in society

We are determined to be a well-managed, socially and environmentally responsible company. Our management structure meets the rigorous requirements of the systems, defence and aerospace industry, and has clear responsibilities through operational line management for Safety, Health and Environment (SHE) and community issues, reporting through the Chief Executive to the Board.

Complementing this structure, we have the necessary systems to ensure flight, naval, explosive and nuclear safety, which involves line-management and our relevant technical experts.

Effective management starts with the Senior Management Team, which provides strong leadership and is clearly accountable. The Control and Risk Frameworks control the group’s activities and are underpinned by requirements on behaviours, ethics and policy compliance.

Our competitiveness and future success depend not only on the skills of our employees and the quality of our products, but also on our investment in the community and our commitment to high standards of corporate governance. We aim to be, and want to be seen to be, a responsible corporate citizen wherever we operate world-wide.

We are proud of our heritage and the role aerospace and defence systems play in contributing to a more secure world. We acknowledge and respect the rights of individuals to hold different views on our industry and are keen to engage in the debate with critics and supporters alike about our role in society.

Our position is based on a proud tradition of firsts (see page 9) and our desire to play our part in making the world a safer place. We provide nations with the means of protecting themselves, and peacekeepers and military forces with the tools to do their job. We are constantly seeking ways to make the use of our systems safer and reduce the risk to all involved.

Most important, we have the strength of conviction in our responsibilities and will always argue our point of view to those who want to listen.
Engaging with society

Our business is essentially about making intelligent connections between people, to provide the right solutions to our customers. This is why people are vitally important – those who work for us and others who can contribute to our thinking.

We also recognise that we have to be accountable to all those with whom we do business and to society as a whole, including:

- Employees and their families
- Unions
- Shareholders
- Customers
- Business partners
- Suppliers
- Competitors
- Governments
- Communities

We encourage a dialogue and open communications with all our stakeholders. This involves the use of traditional media (advertising, brochures, this Review, websites, etc) our AGM and both formal and informal contacts.

As part of the development of our CSR communications we have, for example, spoken with 30 stakeholders and opinion formers in the USA and Europe to find out their views on key aspects of CSR for our company and sector (see page 10). We appreciate the feedback and will reflect the views and opinions shared as we move forward to more formally defining our CSR agenda. We regularly gauge the opinions of our staff, either formally (such as the employee opinion survey – see page 13) and informally, such as the e-mail survey we carried out in 2001 to get views on communications policy and activities.

Our people strategy

Our people, the way they work and the environment we provide for them influence our business performance. We will improve our results by:

- Choosing employees who perform remarkably
- Becoming increasingly attractive to employees, potential recruits and business partners
- Creating a stimulating environment where our people:
  - Feel valued and recognised for their performance
  - Have options in terms of careers, work, reward and personal development
  - Are involved and engaged in improving performance.

Our managers will:

- Drive to meet shared, clearly articulated goals
- Provide open and constructive feedback
- Encourage and involve our people to improve customer service
- Build and work effectively within a variety of teams
- Continually look to encourage people to find better ways to work.

Tony McCarthy
Group HR Director
We are, of course, transparent about our business performance and publish a detailed report to shareholders. We also publish accounts annually and half yearly on all material aspects of our operations, together with a balanced summary of business performance. These records are available on our website.

We recognise a continuing need to seek and understand the opinions of others. We encourage and welcome feedback on CSR issues or any other. Our contact details are on the back cover.

**Honesty, integrity and fairness**

We demand and expect honesty, integrity and fairness in all aspects of our business. We are committed to comply with laws implementing the OECD Anti-Bribery Convention and the US Foreign Corrupt Practices Act. Employees who fail to comply with our procedures are subject to disciplinary action.

**Export of defence equipment**

BAE SYSTEMS adheres to relevant laws, charters, codes of practice and guidelines in addition to our own internal policies, which are designed to ensure the necessary control over the export of defence equipment. It is our policy:

• To maintain an active and open dialogue with relevant government departments in the territories in which we operate to ensure compliance with the government policy and the law and regulations of those territories governing the export of our products

• To comply at all times with conditions of export licences and other regulations and controls applicable to sales of weapons and military know-how

• To respect the values of the international community and the laws of those countries where we conduct our business.

**Political influence or affiliation**

We do not make donations to political parties or to their representatives. Nor do we take part in any party political activities.

**Security**

Each Business Unit managing director is responsible for ensuring that there is an effective level of security in all areas of operation. This includes personal security of employees, the requirements of government and international defence organisations, the requirements of customers and the confidentiality of information. All material breaches and violations must be speedily reported and investigated.

**Our Heritage**

We are the oldest defence company in existence. We made the cannon for King Henry VIII’s army and those used by Nelson’s navy at Trafalgar.

The company has produced many groundbreaking inventions, among them the first UK submarine, stressed skin for aircraft, radar, all electronic TV camera, turboprop airliner, jet powered aircraft, jet airliner, business jet, vertical takeoff and landing fighter, supersonic airliner and anti-missile system.
Listening to social expectations

We have been talking to people who lead the formation of opinions in society, as part of the development of our CSR policy. This is what some of them told us:

“Arms are perfectly legal and necessary, but the company making and selling them has to have principles. The more dangerous your products, the more important it is to have values and principles.”

Human rights campaigner.

“A CSR policy should lead to published targets that should be reported on.”

Journalist.

“We trust that the management has social and environmental issues well managed. They become a risk only if the management fails to manage them.”

Financial analyst.

“Transparency can help to break down barriers. This is one way companies can demonstrate their responsibility.”

Journalist.

“All claims should be backed by action.”

Regulator.

“I think it is always a losing proposition for companies to tout their morals too much. Having said that, just adhering to the rules is a weak message since the rules are an ethical boundary drawn by someone else.”

Regulator.

“Be honest about the limits of your social and environmental actions. You’re not the Salvation Army, you’re a defence company.”

Poverty campaigner.
While many companies may claim it, we truly recognise that our people are our greatest strength. Our ability to compete – and hence our business success – lies in our 100,000 employees.

We want to ensure that the company is renowned for the high performance of its people. We know this can only happen if we provide the right, stimulating environment and opportunities to attract and retain the best people.

This is why we strive to ensure that our people feel valued and their performance is recognised and rewarded. They must also have opportunities to further their careers and to develop their skills.

We operate world-wide where different cultures, traditions and employment conditions and practices apply. Our policies (see right) recognise these differences and are designed to develop mutual respect for our values (see page 1) and those of the cultures we work in.

**Employment policy**

Key aspects of our policy include:

**Equal opportunities**

We treat job applicants and employees equally, regardless of sex, sexual orientation, marital status, age, colour, race, nationality, religion or ethnic origin. As a minimum, we comply with national employment law. We communicate our policies and practices to employees using whatever medium is most suitable, such as a specialist site on our intranet.

**Disability**

We recruit, employ and develop people regardless of disability, looking at the suitability of their qualifications, skills and experience.

**Respect**

We strive to maintain a working environment where all people have the right and the ability to work in an atmosphere free from intimidation of any kind and where they are treated with dignity and respect.

**Development**

We strive to create an environment where our people are encouraged to give their best and are provided with the opportunities to learn and develop their skills.

**Health and safety**

Our people are provided with a workplace where the risks to health and safety are well managed. Everyone is encouraged to live healthy lifestyles (see page 27).
We realise, as do many other businesses in our sector, that we need to improve our diversity of employment better to reflect the cultures we work in. This is part of a broader initiative to meet our aspirations of being the leading employer of choice in our sector. We have started to collect information on the makeup of our people world-wide, which will help us set targets and report on our progress.

**Diversity data: North America**

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<tbody>
<tr>
<td>Male</td>
<td>14,964</td>
</tr>
<tr>
<td>Female</td>
<td>6,311</td>
</tr>
<tr>
<td>White</td>
<td>17,767</td>
</tr>
<tr>
<td>African American</td>
<td>1,649</td>
</tr>
<tr>
<td>Asian</td>
<td>1,050</td>
</tr>
<tr>
<td>Hispanic</td>
<td>705</td>
</tr>
<tr>
<td>American Indian</td>
<td>104</td>
</tr>
</tbody>
</table>

It is clear from these figures and from UK data – 12% female, 5% from ethnic minorities and 1% disabled – that we have a significant challenge to fully reflect society’s diversity in our workforce.

**Training and development**

Fundamental to our ability to attract and retain the right talent is the need to provide opportunities to learn in the demanding and fast-moving scientific fields in which we operate.

We do this in a number of ways, depending on where our people are based. In the UK, for example, we run a highly respected Virtual University (see page 13), which provides a range of online and conventional courses for our people. It also helps to keep our people abreast of progress in academic fields related to our work.

We know that we must also engage with our people and provide them with the opportunity to speak openly about their needs. This happens formally through our employee survey (see page 13) where they have an opportunity every two years to complete a questionnaire. The results are independently analysed and reviewed by senior management.

Rewarding excellent work is important. We ensure that we pay competitive salaries (see below for total remuneration) and acknowledge the remarkable achievements of our people.

We run local award programmes and have two global initiatives recognising development and innovation:

**Chairman’s Award for Innovation**

These annual awards are made to individuals and teams who have helped the company improve its processes, practices, technologies, and products to benefit our customers, employees and shareholders.

The 2001 Gold Awards for Innovation include:

- Ground to Air Aircraft Tracking System. The team adapted an ex-military rapier missile launcher, to develop a novel way of tracking and measuring the infra-red signature of aircraft. The idea produced significant savings in development and measurement costs and has greatly enhanced the company’s measurement capability.

- Aircraft painting. The winning team adapted a standard laser to establish a virtual painting template for projection on to the surface of a Nimrod MRA4 fuselage. Using the technique saved £5 million on the Eurofighter programme.

**Developing us**

This award recognises progress and innovation in improving and implementing our people policies. Winners in 2001 included technical developments to promote home working, electronic systems which greatly reduce the administration burden of recruitment and specific systems which have enhanced employee motivation and reward.

**Wages and salaries 2001**

| Group employees (excl. joint ventures) | £2,451m |
Employee opinion survey

Our 2001 survey of employee opinions found that teamwork and communication were our strengths, with 80% of respondents saying their colleagues co-operate to get work done. The survey also showed that employees were committed to satisfying customers, with 77% believing their team provided a consistently high quality of customer service.

However, employee recognition and visible career opportunities emerged as issues that need to be addressed. The results will help managers improve employee relations.

In 2001 all staff were sent a questionnaire and 65% responded. Despite 73% of respondents saying their team leader consistently treats them with fairness and respect, only 37% said they were satisfied with their career opportunities and 39% with the recognition they received for doing a good job.

A Board level executive in each business has been appointed to lead the programme of action in response to the survey. Managers who need help to make effective plans will receive training, and actions will be published to make it clear where improvements are being made.

Virtual University

A new University Partnership Programme launched by BAE SYSTEMS Virtual University (VU) in 2001 will develop a network of academics with skills that benefit all areas of the company.

The VU was created in 1997 to improve the company’s capabilities through the development of its people. It is divided into two faculties: Education and Development, and Engineering.

The university delivers personalised learning to both individuals and teams, in the form of traditional courses, online coaching, and access to documents, best-practice examples, and people with similar skills and interests. It has 13,000 registered online users, and nearly 20,000 online courses have been completed.

Among the new partnerships in the University Partnership Programme are systems engineering at Loughborough University, aeronautical engineering at Cranfield University and related programmes with Warwick, Southampton, York and Glasgow universities.

Other VU courses and initiatives include:

- Benchmarking. The VU encourages best practice and manages the company’s benchmarking, which helps us remain competitive. Various project tools are used, including the Benchmarking Wizard, a step-by-step guide to the use of best practice to improve performance.

- The Strategic Leaders’ Programme. There are about 650 senior leaders in BAE SYSTEMS, responsible for guiding the company to success. The programme sets challenges to help them develop new ideas on leadership in a global company. It recognises that cultural awareness is an essential part of management and operates world-wide.

- Developing You. This essential programme provides the bricks on which employees build their careers. It includes a component specifically for the company’s 30,000 engineers that provides a framework and tools to develop their skills.
Industrial relations

We are committed to a partnership with all our employees and the bodies and trade unions which represent them. We believe this co-operation provides us with a business advantage that ultimately benefits all our stakeholders.

By working together we have managed change more successfully, strengthened the business focus of our employees and improved the quality of decision making. The trade unions in particular have been a partner of real strength in our strategies to win new work.

We attribute BAE SYSTEMS’ success in winning large contracts, such as Eurofighter, new work with Airbus SAS and the Type 45 naval destroyer to this partnership approach.

One aspiration for this approach is that our people and their communities regard BAE SYSTEMS as an employer that values their contribution, improves the quality of working life, treats all stakeholders with dignity and respect and rewards employees fairly.

YWCA honours two BAE SYSTEMS businesswomen

The US Young Women’s Christian Association honoured two BAE SYSTEMS employees in its Tribute to Women in Industry programme in 2001.

Anne O’Connor (below), manager of plans and operations for the Imagery and Information Systems business unit, was chosen for her ability to manage multiple projects. She is responsible for co-ordinating all operational and administrative aspects of the business, including financial forecasts and budgets. She also organised the “Thanks a Million Charity Challenge”, part of the company-wide community service project that raised money for local hospices.

Teresa Thanos (above), programme manager for Doppler Navigation Systems, was awarded for her ability to balance technical skills, business acumen and strong interpersonal skills. She exceeded sales goals and is highly regarded by customers.

The national award programme is designed to honour women who have made a significant contribution to industry in managerial, executive or professional roles, and to recognise firms that have provided opportunities for women to achieve their potential.
We want to be a good neighbour and we strive to contribute fully to the local communities in which we operate.
We base our community policy on three core principles. These are:

- Effective two-way communications and respect
- Active partnership based on trust and openness
- Pursuit of long-term social and economic well-being.

Adhering to these principles provides a constant challenge, especially when we have to balance the need of business to make a profit in a constantly changing economic climate. In 2001, for example, people were made redundant at our Regional Jets business. We recognise that all such decisions can undermine our relationship with communities.

We do not pretend that these are easy issues to resolve and we remain determined to minimise any potential negative impacts of our business decisions.

September 11

Tragically, three of our people were among those who died as a result of the events of September 11, 2001.

We share in the grief of the Nation and our deep-felt sympathies are with the families of our employees, Charles E. Jones from Massachusetts, a 48 year-old program manager, Robert B. Penninger, 63, a program director from California, and Gerard Moran, a 39 year-old technician from Maryland.

As a reflection of our concern we made a $1 million donation to the United Service Organisation, which provides morale and welfare services to US military personnel and their families worldwide.

"The grant honours the memory of Chuck Jones, Bob Penninger and Jerry Moran," said Mark Ronald, President and CEO, BAE SYSTEMS North America. "It also recognises and supports the heroes of our armed forces who are already going in harm's way to protect the freedoms and liberties that we hold so dear."

The Company and our employees donated over $80,000 to the September 11th fund. In separate initiatives, employees organised campaigns to raise money for the Red Cross Disaster Relief Fund and the Salvation Army.

Many of the infra-red cameras used by the New York City Fire Department were lost when the towers collapsed. Employees at one of our Information and Electronic Warfare Systems plants in Lexington, Massachusetts, worked around the clock to make much needed camera cores and components needed to help find survivors in the World Trade Centre rubble.

The plant started 24-hour manufacturing and with the help of extra staff and equipment produced the necessary components at twice the normal speed. Civil Air Patrol and Air National Guard airlifted the equipment to the camera makers. The speed of the response meant the first replacement cameras reached rescuers on the evening of 13 September.

Our people volunteered to work second and third shifts to get the work done. We were proud of their efforts.

Our thermal imaging technology was developed for military detection systems, but is widely used by police forces and rescue services around the world.
Charitable giving

While specific sites make small donations to local charities, our policy on corporate charitable giving is set by the Subscriptions and Donations Committee, which meets quarterly. The Committee makes donations in three specific categories:

- Our future – youth
- Those who have sacrificed for a safer world – active military members and veterans
- Those who strive to end disease – medical research.

We have a company-wide initiative called Charity Challenge (see right) where our people vote to choose a charity to support each year. The programme promotes employee volunteering and has two levels of support – employee contributions and corporate matching funds.

Charity Challenge

Every year employees vote to support a particular charity under the Charity Challenge initiative. The company matches funds raised.

In 2001 the selected charities were the American Hospice Foundation (www.americanhospice.org) and Help the Hospices (www.helpthehospices.org.uk).

The Challenge was launched in June 2000 and ended in December 2001. Seventy BAE SYSTEMS sites were involved in Australia, Germany, Saudi Arabia, the UK and USA.

Over £4 million was raised with volunteers donating 2,382 days of their own time, participating in numerous and varied activities such as gardening, decorating, hairdressing and entertaining patients.

In San Diego, USA, BAE SYSTEMS won the annual award from the local television station, Channel 10, for the best contribution from a large business to helping the city’s needy.

Among the other charities supported were:

- Royal British Legion – promotes the welfare of UK ex-servicemen and women and their dependants
- United Services Organisation (USO) – provides morale-boosting welfare and recreation-type services to uniformed US military personnel
- No Way Trust – youth based anti-crime initiative pioneered by the UK prison service
- UK Youth – charity supporting youth clubs across the UK
- University of Edinburgh Brain Campaign – funding for debilitating brain disease research undertaken in Scotland
- Christie’s Against Cancer – a leading cancer research and care organisation based in Manchester, UK.
Deciding locally

Everyday decisions on community relations are made locally by our site managers. This includes encouraging good relations with neighbours and dealing with complaints, such as noise and traffic congestion. The managers also choose the nature of their local sponsorships, both in time and money, from a range of options:

- Education – links with schools and colleges (emphasising the promotion of mathematics, science, technology and engineering), providing work experience and mentoring students
- Environmental improvement projects
- Community events
- Support for local authority initiatives
- Funding for community groups and local charities.

Contributing to better education

We and others in our sector need well-trained engineers who can help meet ever greater demands for systems integration. This means we must work in partnership with educators and government to ensure that young people are motivated to seek a career in engineering and have suitable training.

Our educational programme is best established in the UK, but we are increasingly working internationally, with programmes in Abu Dhabi, Brazil, Brunei, Czech Republic, Kuwait, Malaysia, Qatar and South Africa.

International programmes focus on mathematics, science and technology and range from general support for governments’ educational initiatives to systems engineering and English language training.

In the UK, our primary aim is to show young people the excitement and challenge of engineering so they can make an informed career choice. Furthermore, our educational activities encourage recruitment, provide development opportunities for employees, create pride in the company and further partnerships with governments and national bodies.

In 2001 the UK’s education and industry departments nominated the company as a friend of Science Year, the government initiative launched in September to engage young people in science and technology.

Engineering our Future is the brand name for all of BAE SYSTEMS’ educational activities. In 2001 we set up the Engineering our Future website (www.engineeringourfuture.co.uk) to integrate and publicise our six core educational activities, which are:

- Schools Network. Provides member schools and colleges with curriculum materials and projects, the opportunity of visits from engineers, and on-site work experience
- Teacher partnerships. Work with teachers to produce classroom material and activities
- Regional and national engineering challenges. Provide valuable experience in team work and engineering techniques. On one such challenge young people worked in mixed-school teams to design and model a future passenger aircraft able to carry more than 500 passengers
- Ambassadors. A register of over 500 employees who provide support in schools to demonstrate the excitement of engineering and help pupils make career choices
- Work experience. Young people, teachers and adults in education-related organisations are given a chance to visit our facilities and experience work there
- Strategic partnerships. Include initiatives to further promote the challenge of a career in engineering and at BAE SYSTEMS.
In the USA, BAE SYSTEMS business units work with local schools to promote science learning and to provide opportunities for the underprivileged, including:

- Applied technology advisory committees. In a 24-year association with the Technology Center at Nashua High School, several employees serve on advisory committees for education in automotives, business, computer-aided design, electrical trades, electronics, graphic communications and printing. These committees offer advice to teachers and provide internship opportunities to students.

- FIRST (Inspiration and Recognition of Science & Technology) robotics competition. An international engineering contest challenges high school students to design and make a remote control robot. In 2001, 15 BAE SYSTEMS employees teamed up with 32 High School students in this competition.

- Women in technology. This 16-week programme introduces students to a variety of technical careers and practical applications of mathematics and science in industry, under the auspices of the School-to-Careers partnership with Nashua, Alvirne, Pelham, Merrimack and Souhegan High Schools.

- Reach programme for students with extraordinary abilities. BAE SYSTEMS employees work with individuals and small groups of students with extraordinary abilities in specific areas of expertise. This includes previously unrecognised talent among people from ethnic and racial minorities, the disabled and underachievers.

- Junior Achievement. 20 of our employees volunteered to serve as consultants for the Junior Achievement programme in schools. The programme’s mission is to ensure that every child in the USA has a fundamental understanding of the free enterprise system.

- BAE SYSTEMS Explorer Post for technical education. The Explorer Post is aimed at students aged 14-20 who are interested in exploring technical careers. The aim is to provide a bridge between high school curricula and further technical education. BAE SYSTEMS employee volunteers act as advisors.

- Computer Science and Engineering Laboratories, University of Maryland. BAE SYSTEMS sponsors the laboratory, our biggest single investment in education.

Educating through heritage

Our rich heritage, which spans more than 100 years of advanced engineering, plays an essential role in motivating the present generation to take up engineering careers.

This is one reason why BAE SYSTEMS is helping bring the history of British aviation together under one roof with the Air Space project at the Imperial War Museum in Duxford, Cambridge, UK.

The company is investing up to £5 million in the project, which will feature a large aircraft hall, separate exhibition galleries, a heritage conservation area and an education centre. The Heritage Lottery fund is contributing £9 million.

Exhibitions will present aviation history in a fresh and innovative way. Themes include: people and society (with topics such as the effect of war on engineering development, and the luxury of the flying-boat era compared with modern flights); technology; industry; and the environment.

A BAE SYSTEMS Heritage Trust and BAE SYSTEMS Heritage Centre will be established at Duxford to maintain and promote the engineering heritage of the Company and its predecessors. The Heritage Centre will manage the Company’s archives and make them available to the public, helping raise awareness of BAE SYSTEMS’ contribution to national security and wealth creation.
International socio-economic programmes

Defence contracts with less developed countries commonly include a non-defence element designed to improve social infrastructures. These programmes – sometimes referred to as offset agreements – are often part funded by the customer or the contractor's social investment.

We have developed programmes in education, training and health, which promote business success while contributing to a country's social development.

BAE SYSTEMS has a long and successful record of achievement in countries and regions such as Malaysia, South Africa, Saudi Arabia and Europe of implementing and supporting non-defence sector programmes. Each programme integrates all the stakeholders and is in line with the countries' policies.

The social programmes are supported by BAE SYSTEMS employees. Our International Education and Research Centre has developed and delivered bespoke teacher training courses in information technology, design technology and manufacturing for the BAE SYSTEMS International Schools Network.

Lawyers pioneer free community advice

In-house lawyers at BAE SYSTEMS have won a prestigious award for their pioneering work in applying a US model for free – or pro bono – work in communities in the UK.

One of the first free services provided was by the legal team at Aircraft Services Group, who helped a community organisation that restores furniture for needy people in Welwyn Garden City and Hatfield.

Pro bono work is commonplace in the US, but usually found only among private practices in the UK. BAE SYSTEMS won the external relationship category in the inaugural Bluechip awards for lawyers, primarily for its pro bono work.

Listening to complaints

BAE SYSTEMS takes its relationship with the communities surrounding its sites very seriously. Complaints or calls received from the public are logged and tracked. The issues are relayed to the responsible manager, who responds.
Teaching disabled children

Over 200 disabled children in Saudi Arabia are benefiting from a unique partnership – between a team of BAE SYSTEMS employees and the Saudi Disabled Children’s Association – that uses technology to help the children communicate and learn.

Because of cultural differences the team realised it would have to find an alternative approach to philanthropy to that used in the West, such as giving time or money. It invested over two years in research, debate and visits to specialist teachers of disabled children. The partnership was then introduced in phases, gradually creating long-lasting co-operation. In July, 2001, Prince Sultan bin Salman praised BAE SYSTEMS as a rolemodel for all companies, both Saudi and foreign.

Post-doctoral research programme in Saudi Arabia

Each year BAE SYSTEMS sponsors 20 Saudi academics to conduct research in the UK, as part of a programme run by the British Council. The post-doctoral programme draws participants from teaching and research positions in Saudi Arabian universities. BAE SYSTEMS funds scholarships for periods of up to three months in the UK, helping to establish valuable links with UK-based researchers.

Over 200 Saudi academics have received these scholarships since the programme’s creation in 1991. Their research has covered subjects such as industrial safety.
and the care of diabetic patients, as well as issues directly relevant to Saudi Arabia such as the management of water resources and soil improvement techniques.

**Blind driving**

Over 60 blind and partially sighted people were able to experience driving for the first and possibly only time in their lives at the eighth Annual Blind Driving Evening, held on our disused runway at Samlesbury, UK. BAE SYSTEMS organised the event with Galloways’ Society for the Blind and the British School of Motoring. Those taking part also had an opportunity to ride pillion on the back of motorcycles ridden by members of a local motorcycle club.

**New engineering colleges**

BAE SYSTEMS will set up the first Engineering Colleges in the UK in September 2002. They will operate in the same way as other specialist schools. Their aim is ultimately to increase the number of engineering graduates who join engineering firms – currently only 45% do. The colleges will focus on systems engineering, emphasising the fact that engineering is not only about making things but also examining the way products and processes interact. Students will gain experience in science, technology, maths and language skills. The company plans to introduce up to five colleges.

**UK and Saudi sports**

During 2001 BAE SYSTEMS continued to play a crucial role in supporting sports activities in Saudi Arabia and the UK. Since the Memorandum of Understanding (MoU) for sport between the two countries was signed in 1987 the company has sponsored related sports activities.

The MoU for sport brings together over 80 organisations to assist with sports development in both countries, including at professional level. Its activities include sports coaching and workshops, coach education programmes, friendly matches and training camps, covering sports as diverse as table tennis, fencing, squash and cycling. Forty-four activities were held throughout the year, directly benefiting 550 people and indirectly involving thousands more. Renewed emphasis was given to promoting sports for people with disabilities.

"The value this brings in terms of improved sporting performance is only one of the ways in which we benefit. There are also the great mutual advantages of cultural exchange, learning more about how each other sees the world," says Saleh bin Nasser of the Saudi government’s youth welfare department.
Our responsibility for safety includes both the performance of our products and those who work for us.

The nature of our manufacturing and the materials we use – including explosives and nuclear fuels – demands that our first priority is the safety of our people and the communities around our facilities. Integral to this is the development of a culture that emphasises safety among employees and contractors.

Safety performance across our Company is closely scrutinised by the Board, and necessary remedial activities are implemented when required.

**Product safety**

The safety of our products and services is of key importance to our business. Our safety policy states that we will reduce risks to the lowest practicable minimum for operators, the public, property and the environment. The policy covers a range of requirements, including the responsibility of every employee and team to ensure our products are safe to use.

As with other manufacturing businesses, our employees and contractors are exposed to a range of safety risks.

We pride ourselves on our safety record in these areas and share our experience and knowledge with others.

**Nuclear safety**

The Royal Navy’s nuclear submarines are built at our yard in Barrow-in-Furness, UK. Work includes loading the nuclear reactor into the submarine, commissioning and testing.

BAE SYSTEMS Marine has a Nuclear Site Licence, issued by the Health and Safety Executive and regulated by the Nuclear Installations Inspectorate. The Ministry of Defence has its own regulatory authority, the Naval Nuclear Regulatory Panel.

The Licence imposes stringent requirements on:

- The management and control of all nuclear-related site operations
- The provision of suitably qualified and experienced staff
- The capability and structural integrity of all the facilities and supporting systems
- Emergency planning.

Protecting people from radiation is fundamental. Detailed records of radiation doses received by employees or contractors on site are reported annually. In 2001 a collective dose of 8.8 mSv* was recorded and an average dose of 0.15 mSv for 59 people engaged in radiation related work. This is much lower than other similar operational sites.

Very little radioactive waste is generated at Barrow, but levels of discharge to the environment are controlled through stringent limits regulated by the Environment Agency.

We recognise the concern shown in the community for the potential impact of our nuclear work. We maintain close links with the local authorities. There is regular communication on the future submarine programme and local meetings are held, attended by councillors and the public.

*millisieverts – a unit of radiation received. The average annual amount received from natural background radiation is 2.2 mSv.
Explosives

BAE SYSTEMS, RO Defence has several sites in the UK, manufacturing, storing and assembling explosives. We recognise that storage and handling of explosives is of public concern.

To prevent accidents we have a structured approach to evaluate hazards, manage the risks and plan for emergencies – all required under the UK’s Control of Major Accident Hazards Regulations 1999 (COMAH). In the UK, an effective approach has to be demonstrated to the combined competent authority of the Health and Safety Executive and the Environment Agency, or the Scottish Environment Protection Agency, in the form of a safety report for each site.

Employees, while working with hazardous materials, are exposed to the same level of risks as those in the manufacturing industry. The five main sites have achieved ISO14001 and there has been no major damage to the environment.

We recognise that good safety management requires the commitment and involvement of all. We value the involvement and efforts of the Trade Unions in supporting and encouraging the continuous drive for safety improvement across our business. (see box).

Trade union perspective

As trade unionists we support all attempts to establish safer working practices. The management of safety should be developed in partnership with employer and employee alike. Achieving an equal partnership of this sort with employers depends on developing a relationship based on trust, rather than simply putting policies on paper.

It is proven that businesses have consistently lower accident and lower sickness absence rates when union safety representatives are actively involved in all levels of safety strategy and development.

BAE SYSTEMS has started to use the skills of their union safety representatives alongside their safety professionals at some sites. These business units should reap the benefits.

We are committed to work with BAE SYSTEMS management in an equal partnership to ensure a more successful and safer future for us all.

Wullie Newlands, Steven Ryan
Senior Trade Union Safety Representatives

International standards

We are committed to apply progressively internationally accepted standards – such as the externally verified Occupational Health and Safety Assessment Series 18001 – across the company (see case study page 25). We monitor our general safety performance using three accepted performance indicators, which are recorded through our obligations under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 1995.

Reportable accidents

We record all accidents defined as ‘reportable’ under RIDDOR.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reportable accidents</td>
<td>370</td>
<td>142</td>
</tr>
<tr>
<td>Incidence rate/100,000 employees</td>
<td>846.7</td>
<td>778.3 (743)</td>
</tr>
</tbody>
</table>

UK: HSE index is 1004/100,000 employees

Major accidents

We record all accidents defined as ‘major’ under RIDDOR.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major accidents</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>Incidence rate/100,000 employees</td>
<td>68.7</td>
<td>33.8 (57)</td>
</tr>
</tbody>
</table>

UK: HSE index is 195/100,000 employees

See Notes on page 25.
Injuries treated
We record all work-related injuries that are logged by our occupational health centres (including reportable and major accidents).

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total injuries</td>
<td>10,581</td>
<td>474</td>
</tr>
<tr>
<td>Incidence rate/100,000 employees</td>
<td>23,991.7</td>
<td>3,218.2</td>
</tr>
</tbody>
</table>

Notes
1. Data cover employees, contractors and visitors.
2. We employed 43,698 people in the UK and 18,250 in the USA. Incidence rates relate to this number.
3. HSE values relate to the industrial average reported by the HSE for the industrial manufacturing sector for 2000/2001.
4. Numbers in parenthesis refer to 2000 data. We recognise that our accident rate for 2001 has increased, compared with 2000. While this in part is attributable to improved reporting measures, we are concerned with the rise and have formed a group of senior executives to address this.

CASE STUDIES

International health and safety standard brings benefits
Accidents have dropped by 31% across our Warton Unit in the UK over the three years that the Occupational Health and Safety Assessment Series (OHSAS 18001) management system was rolled out.

The standard is internationally recognised as an auditable protocol against which a third party can assess an organisation’s safety management system.

An independent assessment by Lloyds Register Quality Assurance verified in 2001 that the Unit’s health and safety management systems demonstrated a risk management approach that fully embraced our complex organisation.


The standard helps reduce accidents, boosts morale, improves training and raises awareness of safety. Legal compliance with the myriad of health and safety regulations is now clearly demonstrated through simple and easily-understood guidelines.

Being safe while testing Concorde for safety
Safety, health and environment protection was an integral part of the safety tests BAE SYSTEMS carried out on the newly-modified Concorde. Extensive modifications to the supersonic aircraft were made after the crash of an Air France Concorde soon after take-off from Charles de Gaulle Airport.

BAE SYSTEMS Warton Unit conducted trials on a simulated undercarriage structure to determine the conditions under which fuel could be ignited in the air-stream.

The test rig itself was rigorously assessed for safety, including the risk of explosion, its ability to withstand explosive forces, control of debris, and fuel storage and spillage.

The project was completed successfully – Concorde was subsequently granted an air worthiness certificate and has since resumed commercial flights.

Devising new ways to de-burr
Meeting quality specifications from Airbus SAS – we are part of the consortium – involved the use of solvents and the production of potentially hazardous dust.

When holes are drilled in metal a rough edge (“burr”) is left and has to be finished, or de-burred. This involves sanding, cleaning and repainting, which produces dust and increases the amount of chemicals used. It also slows the production process.
A new de-burring system has been devised that involves improved specifications and the use of a special power tool. This has:

- Eliminated exposure to hazardous dust
- Reduced exposure to cleaning solvents
- Reduced risk of skin damage and respiratory problems
- Improved the quality of the finish
- Reduced the amount of materials used and eliminated the need to re-paint.

A proposal to convert a military helicopter safety system to commercial use won our team an award – the third in a row – from the Australian Leadership Enterprise workshop competition.

We are committed to develop long-term relationships with suppliers based on mutual trust and benefit. We aim to maximise the value-for-money and efficiency of our supply chain while promoting best practice to reduce pollution and encourage safe and healthy working.

We intend to establish the necessary mechanisms to measure the environmental and social impact on the supply chain.

CASE STUDY

Improved safety, reduced costs

A new system for ensuring better value and service from our contractors has delivered substantial savings and improved safety at our Brough site in the UK. After only three months of a new contract with ACRO for the provision of personal protective equipment, the site has saved £27,000 while improving safety performance through, for example, better product training, noise checks, skincare surveys, testing how face masks fit and a chemicals database.
We aim to protect the health of our employees and contractors by providing a safe workplace where risks have been identified and well managed, while also encouraging healthy lifestyles.

The diverse nature of our activities – from heavy engineering to software design – demands that our occupational health initiatives provide broad but appropriate care, training and monitoring across the company.

The main health risks to those who work for us have been identified as noise, hand-arm vibration and respiratory and skin irritation. We also handle explosives and nuclear energy, applying rigorous health and safety systems to provide the necessary protection. A number of sites have specialists with expertise in aircraft health issues.

An essential part of managing health at work is monitoring trends, analysing the results and providing the necessary improvements and advice to ensure a healthy workplace. We do this in four ways: by applying best-practice standards, publishing data on reportable diseases, monitoring the health of our employees, and encouraging them to lead healthy lives.

**Standards**

In line with our commitment to be a best-practice employer, we conform to national legal standards and we compare our performance with industry peers to ensure we are aligned with current best practice.

During 2001 work continued towards standardising occupational health services across the company with the development and revision of Occupational Health Instructions (OHIs – a series of health instructions related to particular areas of work). New OHI documents were issued covering issues such as hand-arm vibration syndrome (HAVS), asthmagens (substances that irritate airways), fire fighters and medicines.

**Reportable diseases**

We collect data on reportable diseases, which are those related to a particular activity at work and defined in law.

**Key data 2001**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>UK</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reportable diseases treated</td>
<td>28</td>
<td>38</td>
</tr>
<tr>
<td>Incidence rate/1,000 employees</td>
<td>64.07</td>
<td>118.15</td>
</tr>
</tbody>
</table>

**HealthScreen**

Employees are given the opportunity to join our HealthScreen programme which provides information on healthy living, such as diet, handling stress and smoking, as well as screening for health problems. HealthScreen is a series of voluntary checks carried out by the nursing staff, who identify possible medical conditions, such as diabetes and hypertension, and then advise on the best treatment. Follow-up advice and medical surveillance, such as blood pressure monitoring, are offered if needed.

**Key data 2001**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>UK Screened</th>
<th>UK Diagnosed</th>
<th>US Screened</th>
<th>US Diagnosed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand-arm vibration</td>
<td>2,127</td>
<td>15</td>
<td>35</td>
<td>1</td>
</tr>
<tr>
<td>Skin</td>
<td>2,548</td>
<td>34</td>
<td>106</td>
<td>9</td>
</tr>
<tr>
<td>Noise</td>
<td>3,622</td>
<td>37</td>
<td>243</td>
<td>1</td>
</tr>
<tr>
<td>Respiratory</td>
<td>3,632</td>
<td>38</td>
<td>132</td>
<td>0</td>
</tr>
<tr>
<td>Ergonomic</td>
<td>3,129</td>
<td>58</td>
<td>729</td>
<td>30</td>
</tr>
</tbody>
</table>
CASE STUDIES

Saudi Health Ministry helps avoid meningitis scare
An outbreak of an unusual strain of meningitis in Saudi Arabia challenged BAE SYSTEMS medical services in February 2001 and underlined the importance of our close relationship with the Saudi government. The outbreak coincided with the annual pilgrimage to Mecca, which increased the risk of infection. The company needed 6,000 special vaccines immediately but none was available from local suppliers. Through efficient cooperation with the Saudi Health Ministry the medical services secured stocks. Within four weeks all employees and their families, as well as secondary support staff working for Saudi Catering, had been successfully immunised.

Sports in the US
BAE SYSTEMS in the US also offers its employees opportunities for recreation and fitness that range from spinning classes and weight-watchers programmes to kickboxing and aerobics classes. Staff at many sites are participating in sponsored walks and runs to raise money for charity. An employee at Applied Technologies in Rockville, Maryland, took her sporting commitment one step further by representing the State of Maryland at softball in the Senior Olympics, July 2001.

Fit for life
A Fit for Life programme is helping BAE SYSTEMS employees at Farnborough, UK, lead a healthier lifestyle. The health promotion runs over 12 weeks and encourages members to set themselves realistic long-term goals. The 300 employees who have taken part so far have set targets ranging from cutting out sweets, relaxing more and increasing aerobic exercise. The programme is designed and managed by Pam Panther (an occupational health nurse) and Sarah Curtis (fitness centre manager) at the Farnborough Aerospace Centre. They were awarded a SHE Excellence Award for the Fit for Life programme at the Annual Occupational Health Conference 2001.

How we support our Safety, Health and Environment teams
Our SHE professionals are supported by a specialist service that provides essential information to help them in their jobs. Among a range of services, the SHE Information Service provides:

- A library of Material Safety Data Sheets
- A database of SHE best practice
- A monthly newsletter
- Regular safety bulletins
- Collation of company SHE statistics
- A helpdesk (telephone and e-mail) to track and find information on demand.

The Service also organises an annual SHE Conference. This was held at the end of October in the UK. More than 200 SHE professionals attended. The conference was opened by the then Chief Executive of BAE SYSTEMS, John Weston with Bill Callaghan, head of the Health & Safety Commission, who made the key-note speech. John Weston used the opportunity to reaffirm our company’s commitment to these issues and his appreciation of the service and performance provided by its SHE professionals. Key issues addressed by the range of internal and external speakers included hand-arm vibration syndrome, health screening, environmental management and sustainability.

Rewarding best practice
Four new annual awards have been created to promote and reward excellence in SHE best practice within BAE SYSTEMS. Three of the awards cover Safety, Health and Environment. The fourth is for overall SHE best practice and this year was presented by Andrew Dick of the CBI.
Managing and reducing our environmental impacts are an integral part of our SHE activities and contribute to our overall business performance.
Our manufacturing is diverse and ranges from heavy engineering to software design. Our potentially significant environmental impacts are:

- Consumption of raw materials
- Emissions of volatile organic compounds (VOCs) from painting and cleaning
- Production of special and general wastes
- Emissions of greenhouse gases from energy consumption and the burning of fossil fuels
- Water consumption and discharge
- Contaminated land.

We have the necessary systems in place to manage these issues. We are committed to continuous improvement and our policy is to install ISO 14001 – the internationally recognised environmental management systems standard – at all our major manufacturing facilities.

All UK sites are expected to be accredited to the International Standards Organisation environmental management systems standard ISO14001 by the end of 2003. Ten manufacturing sites in the USA are accredited and two more are expected to achieve accreditation by the end of 2002.

Reducing the environmental impacts of our products

We are committed to minimise the environmental impact of our products and we have a formal policy to ensure that this happens.

Among other points, the policy emphasises:

- Fully understanding and meeting customer needs
- Holding individuals, teams and managers accountable for environmental impacts of our products
- Managing environmental issues and minimising risks as part of this process
- Using appropriate management tools and techniques.

Environmental performance indicators

We have a common set of environmental reporting standards which we apply across the group. Targets for improvement and reduction are currently set at site level. We are reviewing this approach to determine the feasibility of group wide targets.

We report on the parameters listed on the next page.
Volatile Organic Compounds (VOCs)

VOCs are chemical compounds used in manufacturing to degrease and clean, and as a solvent in paint. VOCs evaporate easily and are implicated in the creation of urban smogs. We calculate our VOC output by adding the quantities of paint, thinners and solvents we use and subtracting it from the sum of the paint, thinners and solvents we send to waste.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Output</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volatile Organic Compounds to waste</td>
<td>140.7 tonnes</td>
<td>15.6T/£bn turnover</td>
</tr>
<tr>
<td>VOCs to air</td>
<td>373 tonnes</td>
<td>41.3T/£bn turnover</td>
</tr>
</tbody>
</table>

Waste

While some waste is inevitable, we are determined to reduce wastes to a minimum. This saves natural resources and money. We categorise our waste as special (hazardous) and general (non-hazardous). Special wastes, mainly paint thinners, are incinerated by licensed waste disposal firms. Our general waste, such as building rubble, is sent to landfill.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total general waste</td>
<td>553,678</td>
</tr>
<tr>
<td>Total special waste</td>
<td>222.7</td>
</tr>
<tr>
<td>Recycled</td>
<td>590.24</td>
</tr>
</tbody>
</table>

Energy

Most of the world’s energy is produced by burning fossil fuels (oil, coal, gas), which emit carbon dioxide (CO₂) and other gases. CO₂ is a principal greenhouse gas implicated in climate change and is targeted for reduction under the UN-brokered agreement, called the Kyoto Protocol. Energy is also a significant cost to us, and it makes business sense to use it as efficiently as possible. Collection of energy data helps in the management of our energy use.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Energy Use (GWh)</th>
<th>Index (GWh/£bn turnover)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>1,225.1</td>
<td>135.5</td>
</tr>
<tr>
<td>Gas</td>
<td>124,415</td>
<td>13,761.2</td>
</tr>
<tr>
<td>Heating Oil</td>
<td>290.11</td>
<td>32.1</td>
</tr>
<tr>
<td>Total energy use</td>
<td>125,930.21</td>
<td>13,928.79</td>
</tr>
<tr>
<td>Total CO₂ emissions from energy use (million tonnes)</td>
<td>3.74</td>
<td>0.41</td>
</tr>
</tbody>
</table>

Transport

We recognise that employees travelling to work and on company business can have a significant impact on the environment and communities through air pollution and traffic congestion. We are working on a transport policy that will reduce these impacts but, as is common with other large organisations, this is proving difficult.

Understanding the needs of our employees helps, and a survey of transport at our Christchurch site has led to improvements. Bicycle sheds have been provided to encourage more cycling, and a computerised car-sharing scheme has been established.

Water consumption and effluent discharge

As populations rise and living standards improve driving up demand, pressure on clean water sources increases. We are committed to reduce our water consumption by using water efficiently and looking for ways to recycle.

Key data 2001

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Output (million cubic metres)</th>
<th>Index (million m³/£bn turnover)</th>
</tr>
</thead>
</table>
| Total water use | 4.1                          | 0.45
| Trade effluent   | 2.14                         | 0.24

We use water mostly for heating, washing and domestic purposes. A few sites treat metals and produce effluent which is potentially high in acidity. This is treated before being released under licence to sewer. Specific contaminants, such as cadmium, have been reduced at source to meet UK Environment Agency permitted levels. Because the volume of this effluent is small and managed locally, we do not keep consolidated effluent data. We are concentrating our efforts on water conservation and recycling.

Legal compliance

As a minimum, we aim to comply with the law and all environmental regulations wherever we operate.
Dual award for reducing pollution at Fort Wayne

Our Fort Wayne plant in Indiana, USA, has won two prestigious environmental awards. The US Environmental Protection Agency named it a “performance track” facility, its highest level of award, in recognition of the site’s efforts to reduce and prevent pollution. The plant has also won the Governor’s Award for Excellence in Pollution Prevention, for its reduction and elimination of hazardous chemicals.

Testing oil spill response

The Marine team proved that their communications, procedures and equipment meet the highest Safety, Health and Environment standards after they took a lead role in containing a simulated oil spill in Barrow Docks, Cumbria, UK. This was the town’s first test exercise under new regulations obliging ports to prove they can deal with such incidents. The exercise assumed a large spill requiring a concerted clean-up by all port users. Paul McCullough, BAE SYSTEMS Marines’ Health, Safety and Environment advisor, sat on the joint team directing the exercise, and site services manager Mike Benson and his team had to deploy the company’s equipment to contain the spill.

They had to respond to various scenarios throughout the day, such as changing weather and continued leaks. Each time the team managed to deploy the appropriate kit within five minutes. The Environment Agency and English Nature congratulated our employees on their efficient teamwork.

RO Defence and energy efficiency

Higher energy prices, the introduction of climate change taxes and the need to conserve natural resources has spurred RO Defence, a business within BAE SYSTEMS, to devise an integrated approach to energy and water management.

The business has linked all its sites into a common energy and water management system. This will help cut costs and make internal emissions trading easier, if BAE SYSTEMS decides to introduce trading across the group.

Access to better information has already brought financial benefits. The business was able to negotiate an exemption discount on the UK government’s climate change levy because of advances it had made in integrated pollution control. This provided an annual saving of £450,000 in the short term and £270,000 in subsequent years.

Above: Hybrid low-emission electric buses equipped with BAE SYSTEMS’ HybriDrive™ propulsion systems are becoming increasingly common in New York City where 325 are on order to help reduce emissions. The buses run on either electricity or fossil fuel and use their braking systems to produce energy.
A small gesture some years ago by our Mission Solutions division in San Diego, USA, to help ill children of the Lakota Sioux tribe, has been recognised with the presentation of a peace pipe by the tribe.

We donated unwanted metal, which the tribe recycles to make belt buckles and other gifts that are sold to raise funds to pay for medical treatment.

In 2001, Paul and Barry Chomke arrived unexpectedly to make the impromptu presentation of the peace pipe when they took a 100-mile detour after taking a child to Los Angeles for specialist medical treatment.

Mission Solutions will continue donating the materials and is honoured to assist with the tribe’s efforts in providing medical services for their children.
We appreciate feedback and comments.

Please contact:

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