Letter from David M. Thomas, Jr.,
San Diego Ship Repair’s vice president and general manager

BAE Systems San Diego Ship Repair is committed to being proactive and embracing measures that reduce our environmental impact. Environmental risks and the changing climate could affect us and our communities directly, that’s why we do our part to ensure clean technology is deployed and energy efficiency is integrated into our environmental programs.

Implementing environmental and sustainability programs are not always easy, but it is the right thing to do. That’s why we are a part of the Green Business Network, a group of local San Diego businesses committed to operating in a sustainable way. At SDSR, we strive to be an industry leader in environmental stewardship and we have been recognized for our efforts. Over the course of 2018, we improved in five key areas including: emissions reduction, energy efficiency, green transportation, waste reduction, and water conservation.

Our environmental programs are beneficial to our business but also to our surrounding communities. We recognize the value of contributing to the wider society and improving the quality of life for communities in which we work and live. As a large employer that develops and trains a highly skilled workforce, we make an important economic contribution to surrounding communities. Through our community investment strategy, we build and nurture mutually beneficial relationships between our business, our people, and local stakeholders. Our initiatives focus on our support for the armed forces, education, the local community of Barrio Logan, and volunteerism. Well-managed companies are an essential part of society, but in order to succeed, business needs strong, vibrant and prosperous communities.

Moreover, operating a sustainable business means we must return home safe every day. Safety is one of our core values and a part of our daily focus at our shipyard. We pride ourselves on our 2018 results of a 55 percent reduction to our Total Recordable Incident Rate over 2017, which garnered national recognition with “Excellence in Safety” and “Improvement in Safety” awards from the Shipbuilders Council of America.

I am proud to be a part of this team, and I am pleased to share with you our continued journey in sustainability, covering our environmental, community, and safety successes.

Very Respectfully,

David M. Thomas, Jr.
2018 Year in Review

2018 Year in Review

- We serviced 22 Navy surface combatant ships.
- We moved forward with our sustainability action plan and saw a major increase in energy efficiency.
- We supported 28 non-profit organizations in San Diego.
- We reduced our injury rate by 55 percent over 2017.

Economic Impact

BAE Systems San Diego Ship Repair (SDSR) has a total economic impact* of $962 million of sales flowing into the San Diego region from our business, employees, and companies we do business with such as vendors and subcontractors. (*According to recent research by the San Diego Regional Economic Development Corporation.)
Our Business

BAE Systems Ship Repair is a leading provider of ship repair, modernization, conversion, and overhaul for the U.S. Navy and other customers. Our business has four shipyards strategically located in the U.S. Navy’s primary ports, including Jacksonville, Florida; Norfolk, Virginia; Pearl Harbor, Hawaii; and San Diego, California. Homeported fleets are projected to grow in San Diego and Jacksonville. Our shipyards are equipped to service a broad range of maritime vessels, including cruisers, destroyers, amphibious warships, and littoral combat ships for the U.S. Navy, as well as select private and commercial vessels. Our teams also work aboard other Navy vessels such as aircraft carriers that are stationed at nearby naval bases.

BAE Systems San Diego Ship Repair (SDSR) is located in the U.S. Navy’s largest Pacific port and encompasses 16 acres of property and 24 acres of water area on San Diego Bay. SDSR is one of the top Master Ship Repair companies in San Diego that has been awarded repair contracts for surface combatant ships. Currently, SDSR has capacity for eight ships at its facility and works aboard ships pierside at the San Diego and North Island naval bases.

SDSR is part of the BAE Systems Platforms & Services sector. The sector employs 11,900 people in America and reported $3.65 billion in revenue in 2018. BAE Systems’ U.S. shipyards secured $1.3 billion in new orders in 2018, including the award to modernize the USS Sterett in San Diego. Our San Diego shipyard has a workforce of nearly 1,300 full time employees. In 2018, subcontractors accomplished approximately 49 percent of our work and other companies provided a large number of full time employees to perform work for us.
Our Values

BAE Systems’ core values are trusted, innovative, and bold.

- Trusted: doing what we say we will and doing the right thing
- Innovative: seeking out new ways to make things better, learning constantly and turning ideas into action
- Bold: being courageous, speaking up and stepping forward, and realizing big ambitions

Safety is at the core of everything we do. Every employee is empowered to speak up or report something unsafe if he or she sees an unsafe or hazardous condition.

We are constantly looking for ways to improve our processes and capabilities. Employers are expected to treat all people with dignity and respect. Employees have the right to report conduct that contradicts respectful workplace behaviors. Supervisors, Human Resources, or the Local Ethics Officers are available for employees to raise concerns. We also have an Ethics Helpline (888-306-7330) that employees can call anonymously.
Environmental Programs

We are committed to being proactive and reducing environmental impacts. We also help our customers and suppliers do the same.

Emissions Reductions Over the Past Several Years

- We are actively reducing and controlling emissions from our operations with a focus on combustion sources.
- We are investing in all electric equipment, which reduces diesel particulates in the air.
  - We installed two electric cranes rather than diesel-powered cranes on our large drydock.
  - We installed an electric crane at Pier 4.

2017* hexavalent chromium emissions are estimated to have been reduced by more than 15 percent over 2013.

2017* particulate matter (PM) emissions are estimated to have been reduced by more than 46 percent over 2013.

*2017 data is the next set of available data points after 2013, which data was submitted to the California Air Pollution and Control District for review.
Waste Reduction
- We reduced waste disposal by 40 percent.
- All food trucks that serve our employees on site are now using recyclable paper and food packaging, and conforming to the local city ordinance by not using polystyrene (Styrofoam).
- Food trucks also give discounts to those who bring their own reusable coffee mugs.

Water Conservation & Water Quality Protection
- We do not discharge into San Diego Bay; all storm water is diverted into a storage system then sent to San Diego sewage for treatment.
- We use 198,940 gallons of saltwater instead of potable water to clean our two drydocks prior to submergence.
- We use saltwater instead of freshwater to flush the toilets on the Pride of San Diego drydock.
- We save water with low flush toilets and sinks throughout the facility.

Green Transportation
- We utilize electric GEM cars and one all-electric truck.
- We replace some of our diesel fuel forklifts with propane forklifts.
- We continue to evaluate the feasibility of investing in additional electric forklifts.
- We encourage mass transit and carpooling using the Waze carpooling app in coordination with SANDAG’s iCommute program, the metropolitan planning organization for San Diego County.
- To alleviate congested parking in the local neighborhood, we provide a free shuttle service to and from the Hilton San Diego Bayfront hotel parking garage downtown for our employees.
Biodiversity
• We are committed to protecting and preserving biodiversity in the San Diego Bay. In 2016, we planted and restored four acres of eelgrass in south San Diego Bay. As of the end of 2018, the grass covers nearly seven acres, is healthy and continues to be monitored.
• We partnered with Project Wildlife, a local non-profit organization, when injured animals appeared within our facility. Project Wildlife treats and rehabilitates animals before releasing them back into the wild.

Energy Efficiency
• Our Pride of California drydock is completely electric and uses LED lights.
• All administrative offices have lighting controls that ensure lights in unoccupied spaces turn off automatically.
• We have made significant investments in energy efficient controls for equipment, including air compressors, which provide pressurized air for operational use.

Environmental Compliance
• Our environmental compliance program includes a detailed plan, staff training, monitoring, and performance evaluation.
• Our environmental management system has been certified to the ISO 14001 standard for more than 10 years.
• We are certified to the new ISO 14001: 2015 standard.
• All storm water at the shipyard is collected, stored, and discharged to the sewer system rather than San Diego Bay.
• We increased our storm water collection capacity, which now holds 18 percent more rain water, through a $330,000 investment in larger tank systems.
• We go above and beyond regulations with green chemical substitutions: paints and coatings used in our operations are composed of the lowest VOC (volatile organic compound) emitting coatings available.
Awards and Recognition

- “Excellence in Safety Award” and the “Improvement in Safety Award” from the Shipbuilders Council of America (2018)
- “Diamond iCommute Gold Award” from SANDAG for helping to improve the commute in the San Diego Region and reducing greenhouse gas emissions (2018)
- “Excellence in Energy Leadership - Industrial Sector Award” from San Diego Gas & Electric (2018)
- “Sustainable Achievement Award for Waste Reduction” from the Green Business Network (2017)
- “Earth Day Sustainable Business Award” from the County of San Diego Board of Supervisors (2017)
- “Water Conservation Award” from the Industrial Environmental Association (2016)
- “Sustainable Achievement Award for Employee Engagement” from the Green Business Network (2016)
- “Good Neighbor Award” from the Environmental Association and County of San Diego (2015)
Community Engagement

We are committed to investing in the local community, supporting the military, local communities, environmental organizations, causes, events, and STEAM (Science, Technology, Engineering, Art and Math) education. In 2018, we supported 28 organizations and events.

**Barrio Logan Community**
We supported Barrio Station, a non-profit organization established in 1970 that cultivates a higher quality of life for families in the underserved, low-income community of Barrio Logan. Its services range from providing after-school activities, including sports and swimming lessons for children, to counselling and legal services for families.

**Education**
We partnered with the San Diego Ship Repair Association to donate toys to the Logan Heights and Sherman elementary schools, and we supported the Barrio Logan College Institute’s after school educational programs.

**Environmental**
We channeled our appreciation for San Diego’s environment by supporting the San Diego Port Tenants Association’s annual Coastal Cleanup, the largest volunteer day to protect our environment, and donating to environmental education through the San Diego Coastkeeper.

**Military**
We supported the San Diego Military Advisory Council Foundation and Anchor Scholarship Foundation to provide scholarships to students in San Diego.
Safety: A Core Value

- We were 54.4 percent below the shipbuilding and ship repair industry average rate for Occupational Health and Safety Act (OSHA) recordable injuries in 2018.
- In 2018, we decreased the number of recordable injuries by 55 percent over 2017.
  - We initiated a new medical program with a full time occupational nurse and certified EMTs on site.
  - We reintroduced daily safety Toolbox Talks with production teams.
  - We reinvigorated the OSHA Voluntary Protection Program process with VPP STAR Teams.
- We operate our business with a formal process for hazard identification, risk assessment and handling safety hazards. This framework provides employees with the ability to perform job hazard analysis with a focus on reducing risk.
- We are certified with OHSAS 18001, which holds the standard for our safety management system and addresses compliance requirements.
- We are an OSHA VPP Star Site. Out of America’s 150 shipyards, only 10 shipyards are designated as an OSHA VPP Star Site (Two designations belong to BAE Systems: San Diego Ship Repair and Norfolk Ship Repair).