

BAE SYSTEMS

INSPIRED WORK

Our strategic priorities for 2017



Our Group Strategic Framework

Our vision is to be the premier international defence, aerospace and security company

Our mission is to safeguard and enhance our customers' vital interests and deliver sustainable growth in shareholder value

Our strategy

- Maintain and grow our defence businesses
- Continue to grow our business in adjacent markets
- Develop and expand our international business
- Inspire and develop a diverse workforce to drive success
- Enhance overall financial performance and competitive positions

Strategic objectives

Continuously improve efficiency and competitiveness

Drive value and growth from our defence platforms and services

Accelerate the growth of our cyber, intelligence and security business

Continue to win new international orders

Continue to grow our electronic systems business

Leverage our technology and engineering capabilities

Our values are Trusted, Innovative and Bold

Our vision is to be the premier international defence, aerospace and security company. Our mission sets out the purpose of our enterprise: to give our customers an essential edge, helping them protect what matters most, and deliver shareholder value.

To achieve our vision and mission, we have a clear strategy comprising five longer-term focus areas and six near-term objectives. This strategy remains consistent for 2017, with two small changes that reflect an increasing opportunity for growth.

To maintain our world-class capabilities and seize opportunities for growth, we need to retain and recruit skilled people from the widest possible talent pool and create an inclusive culture where everyone can achieve their full potential. This is reflected in our commitment to 'inspire and develop a diverse workforce to drive success'.

With recent commitments to long-term defence platforms and support programmes and improved prospects for many of our core franchises, we have highlighted the opportunity for growth in our strategic objective to 'drive value and growth from our defence platforms and services'.

Our values – Trusted, Innovative and Bold – remain the same, underpinning our strategy.

Every employee across the Group makes a direct contribution to our Strategic Framework. Use this booklet to think through how you and your team will make a difference in 2017.

A word from Ian



Our robust strategy positions us to address future challenges and pursue growth opportunities.”

In 2017, we will be building on solid foundations. Governments in our major markets continue to prioritise national security, we have established positions on long-term programmes in the US, UK, Saudi Arabia and Australia and new business prospects in a number of international markets.

Our strong programme execution is underpinned by constantly advancing our technology, developing skills and capabilities for the future and leveraging the vast experience across our company through collaboration. These are all essential to delivering competitive solutions to meet our current and future customers' needs.

Our robust strategy positions us to address future challenges and pursue growth opportunities. This is all made possible by the valuable contribution you each make through your individual and team objectives.

As you set those objectives for the year ahead, I encourage you to think about the part you play in our achievements. What you do makes a difference, not just to BAE Systems but also to our customers who rely on us to deliver leading capabilities and technologies to protect what matters most.

Thank you for your continued commitment.

Ian King
Chief Executive



Visit the intranet to read my blog or listen to the podcast at www.baes.podbean.com for the latest strategy updates.

Some highlights of 2016



- We rolled out the first of 16 Amphibious Combat Vehicle I.I prototypes to the US Marine Corps and just days later delivered the first Armored Multi-Purpose Vehicle prototype to the US Army.



- We received a three-year contract worth up to \$600m to deliver APKWS™ laser guided rockets to the US Armed Forces, as well as a growing number of allied nations.



- We continued to grow our commercial cyber security and government intelligence and security services.



- Kuwait ordered 28 Typhoon aircraft in a deal expected to result in £1bn of airframe manufacture, capability upgrade and radar integration work for our company.



- The US and Indian governments signed a Letter of Agreement for the Foreign Military Sale of 145 of our M777 Ultra Lightweight Howitzers, to provide the Indian Army with superior artillery capability.



- On F-35 we secured £267m of Lot 10 production orders and delivered the 250th electronic warfare suite for the fighter aircraft. Australia and the UK were selected as global repair hubs for F-35 avionics and aircraft components through to 2025.



- With a £1.3bn customer commitment, we commenced manufacture of the first of four next-generation nuclear deterrent submarines for the Royal Navy. We also signed a heads of terms for the Type 26 frigates, with manufacturing to start in summer 2017, and secured a £287m contract for two further River Class Offshore Patrol Vessels.