UK Gender Pay Gap
Report 2018
Introduction

This is our second annual gender pay gap report. We continue to make progress against the actions we have in place to improve our gender balance. While we have seen a modest improvement in our results we know there are many factors that can influence the overall picture. Such factors include changes in the overall number of employees. We remain steadfast in our commitment to delivering the plans we have in place to increase the number of women in BAE Systems and supporting the progression of women into senior executive positions.

We value our employees and the contribution they make and provide competitive reward packages reflecting individual performance and team successes.

In order to attract and retain talented people, drive creativity and innovation and increase our ability to solve our customers’ complex challenges we must create an inclusive culture where everyone can fulfil their potential.

We are determined to bridge the historical gender gap in our industry.

At BAE Systems we ensure, through our reward policies and processes, there is no gender bias in our approach to pay.
Equal pay is about whether a woman and a man performing the same work, at the same level, in the same organisation receive the same pay.

Gender pay gap reporting explained

The regulations for gender pay gap reporting for UK companies are intended to encourage employers to take informed action to close their gender pay gaps where one exists.

Every year companies which employ more than 250 employees must report:

- Mean and median gender pay gap in hourly pay
- Mean and median bonus gender pay gap
- Proportion of men and women who receive a bonus
- Distribution of men and women across pay quartiles

The gender pay gap shows the difference between the average hourly earnings of men and women across the workforce, and is to a large extent a reflection of the representation of women in the workforce.

Equal pay is about whether a woman and a man performing the same work, at the same level, in the same organisation receive the same pay.

How to distinguish between mean and median

**Mean**
The mean is defined as the average of a range of values. It is obtained by dividing the sum of all the values by their number. The mean gender pay gap shows the difference in the average hourly earnings and bonus of male and female employees, expressed as a percentage of male employees’ earnings.

**Median**
The median is defined as the mid-point value in a range of values. It is the figure that falls in the middle of the range when employee pay and bonuses are organised from smallest to largest. The median gender pay gap shows the difference in the mid-point hourly earnings and bonus of male and female employees, expressed as a percentage of male employees’ earnings.

Our focus is on the mean (average) because it is a more meaningful value.
Our results

The figures represent our aggregated results which include all relevant employees in the UK. The regulations state that companies must publish data for all legal entities with more than 250 employees. This means we must publish data for seven separate legal entities and the full breakdown can be found in the appendix of this report.

Gender pay gap in hourly pay

The figures to the right show the difference between the mean (average) and median (mid-point) hourly pay of all male and female employees, irrespective of their role, expressed as a percentage of male employees’ pay.

Our average gender pay gap is 9.0%, slightly less than the 11.2% recorded in 2017. It is also lower than the current UK national average gender pay gap, which is 17.9%.*

The gender pay gap at BAE Systems exists due to the fact we employ around four times more men than women and a greater proportion of our senior leadership population is male. Our business relies on employing large numbers of employees with qualifications in science, technology, engineering and mathematics (STEM) related fields. We, like others in similar industries, face challenges recruiting female employees with STEM qualifications and experience because there are significantly fewer women who study and work in these fields.

Our average gender pay gap is lower than the current UK national average.

*Source: Office of National Statistics
**Bonus gender pay gap**
(earned in 12 months preceding 5 April 2018)

These figures show the mean (average) and median (mid-point) bonus gap. Our average bonus gap of 18.0% is slightly lower than the reported figure in 2017 (21.5%). We have a bonus gap because we have fewer women in senior leadership positions and fewer women in roles that attract higher levels of pay where the scale of the bonus potential is greater. This is due to the challenges we face recruiting females from STEM related fields.

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean Bonus Gap</th>
<th>Median Bonus Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>18%</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Proportion of Employees who receive a bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>77% Female 76% Male</td>
</tr>
<tr>
<td>2018</td>
<td>90%</td>
</tr>
</tbody>
</table>

Proportion of employees who receive a bonus
(in 12 months preceding 5 April 2018)

Our employees have an equal opportunity to participate in the programmes which make up the bonus calculation which is why the proportion of female employees receiving a bonus is the same as that for male employees. The significant increase in the figures compared to 2017 reflects the fact that there is now an all-employee bonus opportunity in place in all of our UK-managed businesses.
The charts above show the gender distribution across our UK business in four pay quartiles each containing an equal number of employees. There is a significantly greater proportion of male employees across all levels of our UK business and this is a direct reflection of the nature of our business and the sector in which we operate. Women are less well represented in the top quartile compared to the other three quartiles and this is a result of us having fewer women in senior leadership roles which sit in the top pay quartile.
Our actions

We are committed to being an inclusive organisation with a diverse workforce, which reflects the communities in which we work. We believe that diversity and inclusion (D&I) is not just the right thing to do, it is a business necessity.

We have reinforced this commitment by ensuring the D&I agenda is owned by our Executive Committee. For 2019 the Executive Committee’s objectives, which are directly linked to their remuneration, include specific references to progress on D&I. The relevant objectives are:

| > Attract and retain a diverse workforce that reflects market availability at all levels of the organisation |
| > Advance an inclusive workplace where leaders can effectively retain key talent and employees feel that their differences are valued and intentionally leveraged |

External partnerships and recognition

We actively work and partner with organisations in order to share best practice and pool our resources so we can collectively address gender equality in the workplace. We continue to work with organisations such as Business in the Community, Women’s Business Council, WISE and the Royal Academy of Engineering.

In 2018 we became a signatory to the Women in Aviation and Aerospace Charter, demonstrating our commitment to work with our industry partners to build a more balanced and equitable industry for women. BAE Systems, along with other organisations committed to be the best at driving D&I within the sector by providing opportunities and supporting women to succeed at the highest levels.

We were included in the 2019 Bloomberg Gender-Equality Index which recognises companies committed to transparency in gender reporting and advancing women’s equality. Our score in this Index outperformed both the average for the overall index member scores (230 companies) as well as for the industrials sector.
Education and early careers

Each year we invest around £90 million in education and training in the UK, including apprenticeships and graduate opportunities for the next generation of highly skilled engineers. We are particularly focused on encouraging more girls to pursue STEM careers through our educational partnerships and our schools roadshow. Now in its thirteenth year, our schools roadshow aims to challenge pupil perceptions about careers in engineering and we ask our female apprentices and graduates to be role models in schools. The aim is to engage more effectively with females who are under-represented in our company and sector. In 2018 around 130,000 students attended our roadshow events and 50% of these students were girls.

We continue to make good progress in our early careers recruitment and recruit proportionally more females with qualifications in STEM related fields than are available in the marketplace. In 2018 we were awarded the National Apprenticeships Award for Recruitment Excellence, as well as being named Macro Employer of the Year, in part due to the work we do to recruit a more diverse workforce.

Executive leadership roles

We are committed to increasing the number of females in our business at every level and we seek to attract more female applicants to job opportunities across the company. Our senior leadership recruitment process is designed to draw from diverse candidate lists and targeted development, mentoring and sponsorship programmes are in place to promote a more diverse leadership pipeline.

We are pleased to be making progress in this area and between 2015 and 2018 the number of female senior executives grew by almost 15%. We are not complacent and know there is much more work for us to do.

We are particularly focused on encouraging more girls to pursue a career in STEM areas through our educational partnerships and our schools roadshow.
An inclusive workplace

We are introducing a refreshed set of behaviours which set the standards we expect and provides a framework against which our senior leaders’ performance will be evaluated. These include a requirement for leadership by example in open and inclusive behaviours.

As well as seeking to attract more female applicants to job opportunities in the company we also focus on retention by supporting and developing our existing female employees. We do this through formal programmes, such as mentoring and informally through our women’s networks which provide opportunities for development, networking and sharing of experiences.

We have introduced unconscious bias training and inclusive leadership training with the aim of ensuring our employees understand the impact they might have on their colleagues and how they can create a more inclusive working environment.

We offer enhanced family leave policies designed to balance the demands of parenting as well as supporting our female employees when they return to work after parental leave.

We also provide a range of flexible working opportunities across our workforce including part-time working, term-time working, job sharing, annual hours and home working.

As well as seeking to attract more female applicants to job opportunities in the company, we also focus on retention by supporting our existing female employees.
## Appendix

### Our results by UK legal entity employing 250 or more people.

<table>
<thead>
<tr>
<th>Legal Entity</th>
<th>Gender Pay Gap</th>
<th>Gender Bonus Gap</th>
<th>Percentage of population receiving a bonus</th>
<th>Percentage of male and female employees in pay quartiles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Median</td>
<td>Mean</td>
<td>Median</td>
</tr>
<tr>
<td><strong>All legal entities 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>9.0%</td>
<td>9.6%</td>
<td>18.0%</td>
<td>8.9%</td>
</tr>
<tr>
<td><strong>All legal entities 2017</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>11.2%</td>
<td>10.3%</td>
<td>21.5%</td>
<td>8.2%</td>
</tr>
<tr>
<td>BAE Systems plc</td>
<td>15.4%</td>
<td>13.8%</td>
<td>33.5%</td>
<td>25.1%</td>
</tr>
<tr>
<td>BAE Systems (Operations) Limited</td>
<td>9.6%</td>
<td>8.0%</td>
<td>8.8%</td>
<td>11.0%</td>
</tr>
<tr>
<td>BAE Systems Applied Intelligence Limited</td>
<td>18.4%</td>
<td>26.1%</td>
<td>37.5%</td>
<td>38.0%</td>
</tr>
<tr>
<td>BAE Systems Global Combat Systems Limited</td>
<td>12.0%</td>
<td>14.6%</td>
<td>11.8%</td>
<td>20.7%</td>
</tr>
<tr>
<td>BAE Systems Global Combat Systems Munitions Limited</td>
<td>2.3%</td>
<td>4.2%</td>
<td>2.0%</td>
<td>6.2%</td>
</tr>
<tr>
<td>BAE Systems Marine Limited</td>
<td>13.7%</td>
<td>13.2%</td>
<td>-6.9%</td>
<td>0.0%</td>
</tr>
<tr>
<td>BAE Systems Surface Ships Limited</td>
<td>2.4%</td>
<td>3.6%</td>
<td>5.0%</td>
<td>-3.7%</td>
</tr>
</tbody>
</table>

### Further information

The method for calculating the gender pay gap figures has been outlined by the UK Government and the results from every qualifying UK organisation can be found here:
https://gender-pay-gap.service.gov.uk/viewing/search-results

*All UK Legal Entities data includes areas in our UK business where there are fewer than 250 employees and therefore are not reported separately given the legislative guidance.
The directors of our legal entities confirm the information and data reported is accurate as of the snapshot date 5 April 2018.

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