

UK Gender Pay Gap Report 2017



Introduction

We **value our people** and the contribution they make. We **pay them fairly** for the work they do and we aim to create a working environment where there are **equal opportunities for all our people** so they can fulfil their potential and contribute to our business success, **irrespective of their gender**.

The Government has introduced regulations for gender pay gap reporting for companies in the UK. The regulations 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 the following:

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 mean (average) and median (mid-point) hourly earnings and bonus of male and female employees, expressed as a percentage of male employees' earnings. Our focus in this report is on the mean (average) because it is a more meaningful value.

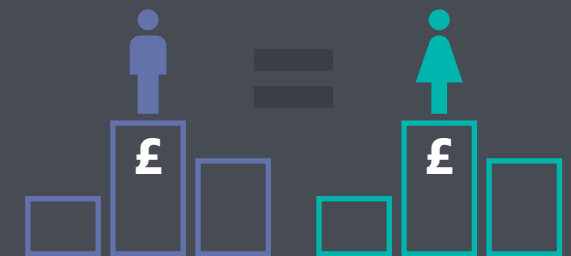
At BAE Systems we ensure, through our reward policies and processes, **there is no gender bias in our approach to pay**

The gender pay gap is different to equal pay



The **gender pay gap** shows the difference between the average hourly earnings of men and women across the workforce, and is about addressing 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.



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 (at 5 April 2017)

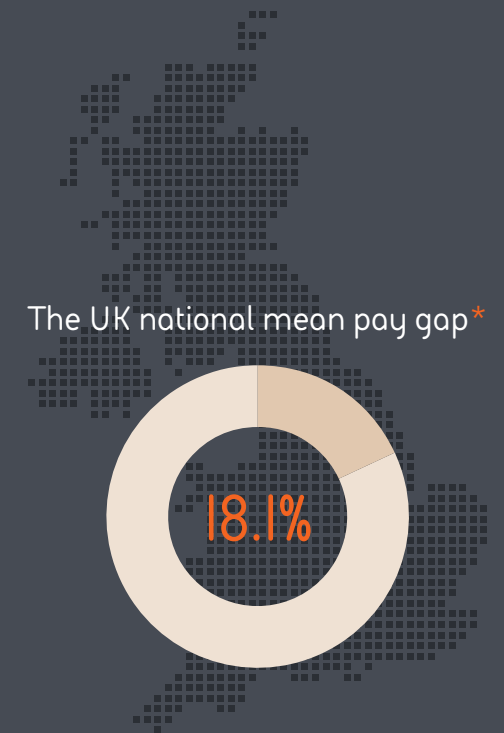
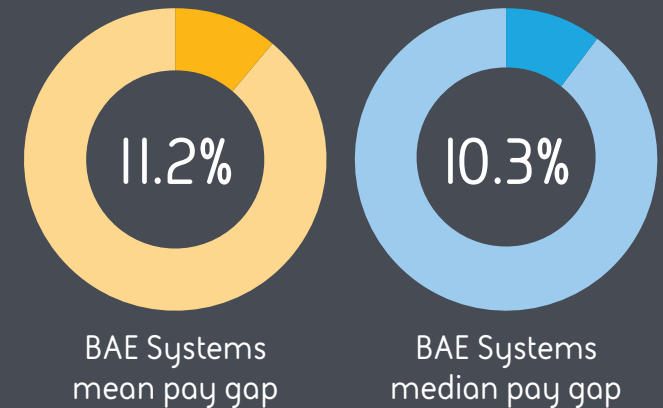
The figures to the right show the difference between the mean (average) and median (mid-point) hourly pay of all male and female employees, irrespective of their role, expressed as a percentage of male employees' pay.

Our average gender pay gap is 11.2%. This is lower than the current UK national average gender pay gap, which is 18.1%.

We have a gender pay gap because we employ around four times more men than women and a greater proportion of our senior leadership team is male. This trend is not unusual for companies like ours because we employ large numbers of people with qualifications in science, technology, engineering and mathematics (STEM) related fields. The number of women who study and work in these fields is significantly less than the number of men and as a result we have to recruit from a much smaller pool of female talent.

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

*Source Office of National Statistics 2016



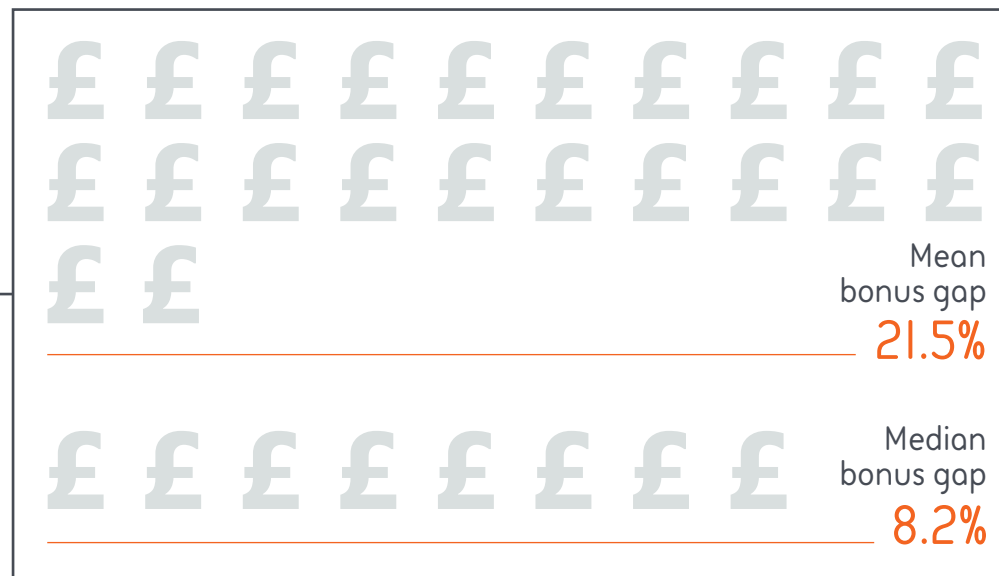
Bonus gender pay gap

(earned in 12 months preceding 5 April 2017)

These figures show the mean (average) and median (mid-point) bonus gap.

The reason we have an average bonus gap of 21.5% is 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.

As previously described, this is due to the challenges we face recruiting females from STEM related fields.



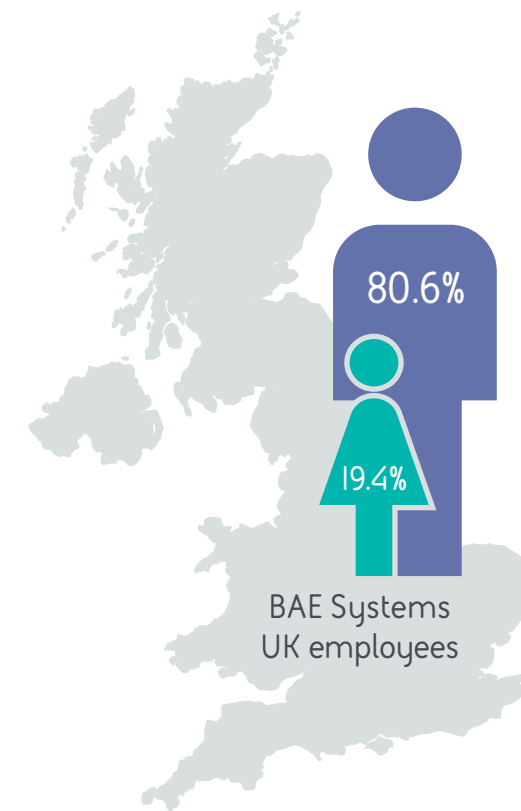
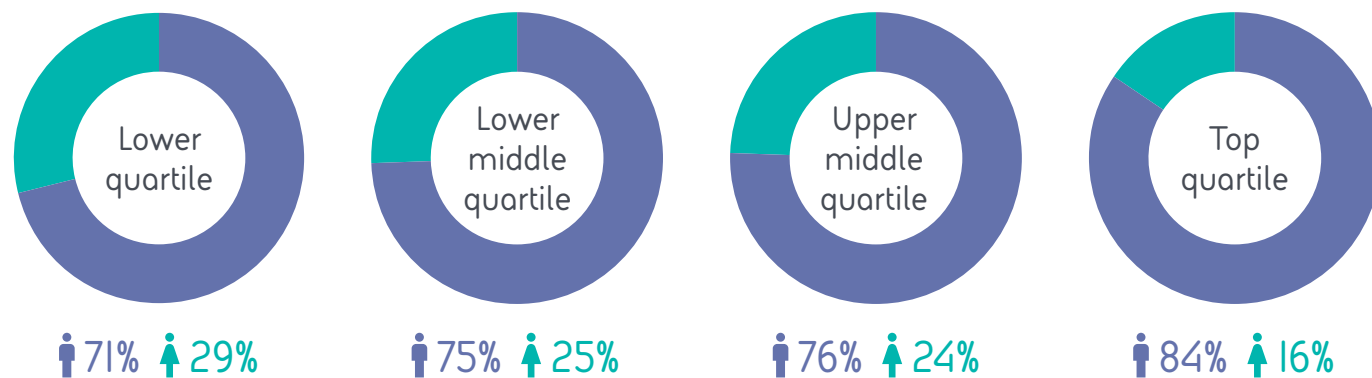
Proportion of employees who receive a bonus

(in 12 months preceding 5 April 2017)

Employees have an equal opportunity to participate in the programmes which make up the bonus calculation. As a result, the proportion of female employees receiving a bonus is virtually the same as that for male employees.



Distribution of all UK employees across pay quartiles (at 5 April 2017)



The charts above show the gender distribution across our UK business in four quartiles based on pay bands.

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 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

A key part of our company strategy is to
'Inspire and develop a diverse workforce to drive success'.

We continue to recognise the need to increase the number of females we employ to improve our gender balance and become a more diverse organisation and we have been working hard to address this.

We are determined to bridge the gender gap in our industry by encouraging more women to join BAE Systems and we have put in place a number of programmes and initiatives to support the development and progression of women into senior executive positions.

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 are currently working with organisations such as Business in the Community, Women's Business Council, WISE and the Royal Academy of Engineering.

We have been included in The Times Top 50 Employers for Women for the last three years. Employers selected for inclusion must demonstrate that gender equality is a key part of their business strategy with a consistent commitment to progressing women in the workplace.

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 a career in STEM areas through our educational partnerships and our schools roadshow. Now in its twelfth 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 2017 almost 130,000 students attended our roadshow events and around 50% of these students were girls.

We are starting to see the benefit of this work and are making good progress in our early careers recruitment. In 2017, 33% of graduates who joined our business in the UK were female and 27% of apprentices were female. This represents the highest proportion of females in both our early career programmes since we began recording the gender of our graduate and apprentice recruits a few years ago. This compares favourably with figures from Engineering UK's 2017 report which stated only 15% of students entering a first degree in engineering and technology were female and only 7% of engineering-related apprentices were female.*

* Source Engineering UK 2017 report, figures are from 2014/15.

** 2017 intake.

Included in
The Times 
Top 50 Employers
for Women

£90 million
invested in UK education
and training

33% of our graduates
are female**



Compared to 15% of engineering and
technology degree students nationally*

27% of our apprentices
are female**



Compared to 7% of engineering-related
apprentices nationally*

Leadership and inclusivity

We are committed to creating an inclusive environment with a diverse workforce, reflecting the communities we work in. Our Chief Executive leads our Enterprise Diversity and Inclusion Council which has three key priorities:

1. Build a culture of inclusion and inclusive leadership globally
2. Drive a heightened awareness and education of diversity and inclusion across the organisation
3. Foster diversity and inclusion throughout the organisation

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 and conferences which provide opportunities for development, networking and sharing of experiences.

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.

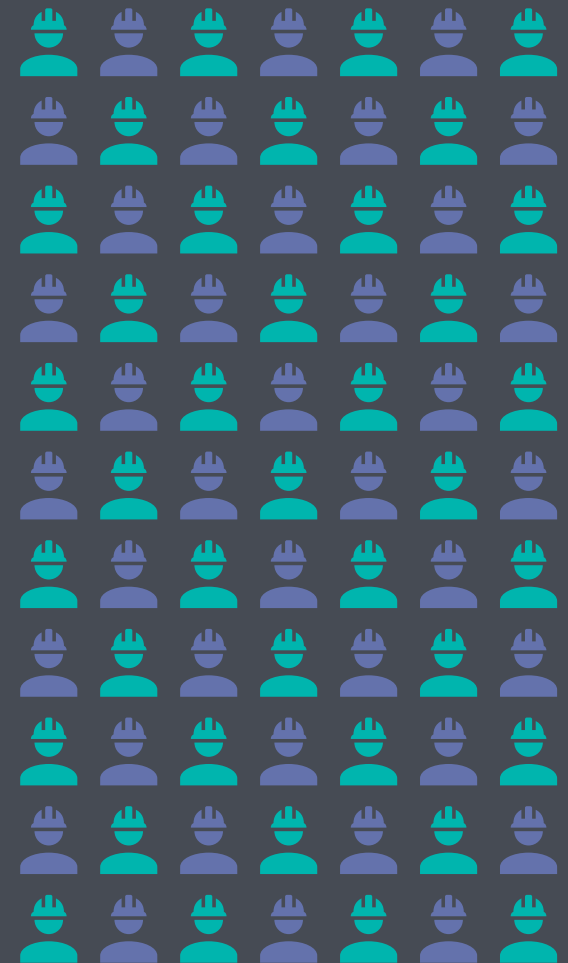
We have introduced programmes such as unconscious bias training and inclusive leadership training with the aim of ensuring our employees understand the impact they can have on their colleagues and how they can create a more inclusive working environment.

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

We are committed to creating an **inclusive environment with a diverse workforce**, reflecting the communities we work in



Appendix

*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.

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

Legal Entity	Gender Pay Gap		Gender Bonus Gap		Percentage of population receiving a bonus		Percentage of male and female employees in pay quartiles							
	Mean	Median	Mean	Median	Male	Female	Lower quartile		Lower middle quartile		Upper middle quartile		Top quartile	
							Male	Female	Male	Female	Male	Female	Male	Female
All legal entities*	11.2%	10.3%	21.5%	8.2%	76%	77%	71%	29%	75%	25%	76%	24%	84%	16%
BAE Systems Applied Intelligence Limited	17.9%	21.0%	54.3%	39.4%	79%	91%	71%	29%	72%	28%	80%	20%	89%	11%
BAE Systems (Operations) Limited	9.8%	7.8%	7.3%	9.6%	89%	90%	67%	33%	78%	22%	77%	23%	88%	12%
BAE Systems Global Combat Systems Limited	16.9%	18.6%	24.6%	23.3%	95%	97%	54%	46%	69%	31%	75%	25%	89%	11%
BAE Systems Global Combat Systems Munitions Limited	7.7%	6.8%	11.1%	17.5%	100%	99%	72%	28%	83%	17%	85%	15%	84%	16%
BAE Systems Marine Limited	16.1%	16.1%	14.2%	24.1%	6%	5%	70%	30%	73%	27%	87%	13%	90%	10%
BAE Systems plc	17.3%	15.6%	33.6%	27.4%	94%	96%	49%	51%	79%	21%	80%	20%	79%	21%
BAE Systems Surface Ships Limited	8.0%	8.4%	15.4%	0.0%	96%	94%	80%	20%	81%	19%	85%	15%	86%	14%

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 will be published here:

 <https://gender-pay-gap.service.gov.uk/viewing/search-results>

We confirm the information and data reported is accurate as of the snapshot date 5 April 2017.

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