UK Gender Pay Gap
Report 2019
This is our third annual gender pay gap report. This reporting process has provided us with the information to improve our understanding of our pay differentials and explore the ways in which we can work to become more inclusive, in our own organisation and with others, to close the gender pay gap.

We continue to work hard so that we can improve our gender balance and recognise that we will see progress over the long term and that some actions may initially create a detrimental effect on our gender pay gap. There are many factors that can influence the overall gender pay gap picture such as changes in the overall number of employees, changes within the senior executive population and general levels of workforce attrition. This is particularly pertinent to BAE Systems with our 79:21 male to female ratio, and the focus we have placed on encouraging a greater number of female applicants to join our company at an early career stage. 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 believe that developing an inclusive, diverse workplace in which all employees can be their best and contribute their unique experiences, beliefs and insights helps us drive innovation, enhance employee engagement and accelerate our performance.
The figures included in this report represent our aggregated results which include all relevant employees in the UK.

Our report is aligned to the requirements of the UK regulations on organisations with more than 250 employees to report the mean and median gender pay gap and bonus gender pay gap, the proportion and men and women who receive a bonus and the distribution between genders across pay quartiles.

This is different to equal pay, which requires men and women in the same job in the same organisation to be paid the same.

At BAE Systems we ensure, through our reward policies and processes, there is no gender bias in our approach to pay.
Our mean pay difference between men and women is 10.3% in favour of men. This is calculated by taking the average hourly earnings, including pay and bonus, and comparing the difference between men and women. We focus on this measure as it provides the more meaningful number.

Our median pay difference is 10.5%. 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 bonus are organised from smallest to largest. This figure shows the difference between male and female mid-point pay.

The UK national average gender pay gap
*Source: Office of National Statistics

17.3%*
2018: 17.8%

10.3% BAE Systems average
We run an all-employee bonus incentive scheme in the UK and this year 91% of men and 91% of women received a bonus award.

There is a mean bonus gap between men and women of 18.6%, with a median gap of 12.3%. This is slightly higher than in 2018, mainly due to there being fewer women in senior roles in the business where pay and bonus is higher, and an increase in the number of females in the lower quartiles.

### BAE Systems Mean bonus gap

- **2017:** 21.5%, **2018:** 18%

### BAE Systems Median bonus gap

- **2017:** 8.2%, **2018:** 8.9%
Our gender pay gap report also requires us to provide information on the distribution of employees across our UK business against four pay quartiles. The lowest quartile represents the typically more junior roles in our organisation such as apprentices, while the highest represents the most senior roles and therefore the highest paid roles. We are determined not only to bring more women into the organisation but to increase the number of women through middle and senior management roles, creating a more inclusive organisation across the pay grades, and, ultimately strengthening our performance and competitiveness.
We’re proud that the gender pay gap in our business is lower than the national average by 7%. However, the gap highlights that there are issues related to creating an inclusive culture within our business that we are determined to address over the long term.

These issues do not just exist within our business but are indicative of a systemic issue across the industry pointing to the need for collaborative action across industry, in society and throughout the education system. It will take a number of years for these actions to take effect in our business.

Science, technology, engineering and maths
We are a business heavily reliant on highly skilled people with a science, engineering, technology and maths (STEM) education. Historically, STEM subjects are studied in greater numbers by males rather than females and this creates an imbalance in the proportion of men to women applying for roles within the industry. In 2019, girls comprised only 10.5% of those studying engineering at GCSE, 8.8% of apprenticeships and, at first degree level, only 10.8% of mechanical engineering students are female.¹

The disparity continues in the workforce: women comprised 47.1% of the overall UK workforce in 2018, and only 12% of workers in engineering occupations were female.¹

Although not all of our job roles involve engineering, these figures are indicative of the issues we face in achieving a more balanced distribution of men and women in our business.

Key life stages
When we look at our quartiles data, we can see that there is a descending trend from entry level (lower quartile) roles to more senior positions (upper quartiles), with a sharp decline between the lower and lower middle quartile.

As we map these across role data, we see that we tend to lose women at key life stages, a prime example being the proportion of women who leave the business when they become a parent.

Women as role models
We recognise that women in the workforce are seen as role models and can encourage other women to work for us. It's important when choosing a career that young women can see others like them having a good career path within our business. Similarly, it's important that women are visible to female colleagues, and are available to support others throughout their careers.

We therefore work hard to understand all of these issues and respond appropriately to address them.

¹ Source: Engineering UK: Key facts and figures 2019
We are committed to being an inclusive organisation with a diverse workforce that reflects the communities in which we work.

At BAE Systems, the steps we are taking to improve our gender pay gap are built into our approach to diversity and inclusion. We believe that developing an inclusive, diverse workplace in which all employees can be their best and contribute their unique experiences, beliefs and insights helps us drive innovation, enhance employee engagement and accelerate our performance. It’s not only the right thing to do, it will differentiate and strengthen our competitive advantage for the future.

This is a long-term plan; we aim to be a diverse and inclusive employer of choice in the defence and engineering sector by 2025.

Our primary focus to improve our gender balance is to increase the numbers of women in senior executive positions and in engineering roles by working to attract and retain more women at all levels.

We have clear, common objectives to accelerate diversity and foster inclusion, to help fulfill our potential and deliver our business strategy. These 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

Our current priorities include embedding diversity and inclusion considerations into all our processes, practices, policies, systems, education and training so that anyone can work and thrive in BAE Systems.

Our leaders are held accountable for making progress and each of our businesses own and drive strategies that support our priorities.

Examples of some our achievements in 2019 - we have:

> Launched a new Inclusive recruitment strategy with 75% of recruiters having completed inclusivity training
> Increased the levels of active role modelling in particular females within early careers at senior levels and those working flexibly
> Been recognised in the Women’s Engineering Society Top 50
Encouraging more girls into STEM careers

Our work with education providers is focused on encouraging a greater take up of STEM subjects. Each year we run a roadshow with the Royal Navy and the Royal Air Force to approximately 420 schools, reaching more than 100,000 pupils in 2019. We also fund STEM resources and meet many school pupils, their parents and teachers at science fairs such as the Big Bang organised by Engineering UK.

We hope that some of these will join us for their early careers, around 900 secondary school pupils completed work experience with us in 2019, 35% of which were girls. Out of around 2,500 graduates and apprentices currently training in our business 25% are female.

Supporting at key life stages

Our maternity and shared parental leave policies are competitive. We want to support our employees in the best way we can, which also extends to adoption leave and special leave – this may be for a whole range of reasons, such as being a reservist or caring for a family member.

Returning to work after having children is also a key focus for us and we want to create a working pattern and adopt flexible and agile approaches that suit our employees’ needs, whilst continuing to support the business. We offer all women returning to work after having children the option to work part-time for the first three months and we also offer alternative working patterns for example flexi hours, part-time, term-time, remote working and job sharing.

Sponsoring women throughout their careers

We are determined to increase the number of senior women in our business, along with the number of female engineers. Over the three years of reporting our gender pay gap, we have increased the number of senior women from 13% to 14.2%. We’re not complacent and know we have much more to do. We’ll continue to focus on attracting women and developing and retaining senior women.

We have sponsorship programmes for women at all levels, women’s networks and make sure we have diverse candidate lists when recruiting. We are following best practice guidelines and external benchmarking to embed inclusive decision making throughout our employee lifecycle. We actively celebrate International Women’s Day and Women in Science and Engineering globally across the company and promote female and male role models.

We work closely with others in the industry to promote female representation and are signatories to the Women in Aviation and Aerospace Charter and the Women in Defence Charter.
Success Stories

These incredible women have all had different career paths, each successful in their own ways, their stories highlight the ways our commitment to support women helps them succeed.
Dr Connie Wilson, one of our senior system engineers on the Type 26 frigate programme, returned to working at BAE Systems after an extended career break with the support of a STEM return to work scheme.

During the early part of her career she studied for a doctorate and secured a Chartered Engineer qualification. As part of the Doctorate, Connie looked into ways to resolve knowledge-management issues within BAE Systems using leading-edge technology. She took a career break initially to care for her children and then extended it to look after her mother who was diagnosed with terminal cancer.

After several years she started to think about returning to work and sought help to do so. She contacted the Institute of Engineers and Technology and was put in touch with the Women's Engineering Society who helped her with distributing her CV to businesses who operated a STEM Return to Work scheme. Through this she eventually reconnected with BAE Systems. We’re lucky to have her back – Connie is now responsible for the Meteorological and Oceanographic system which collates and analyses the environmental information that the ship is operating in. Furthermore she was recognised in The Telegraph’s Top 50 Women in Engineering 2018: Returners and Transferrers programme and was nominated for an Outstanding STEM Ambassador Award in 2019.

"After a significant number of years away from the business, it was great to know that my previous experience was still of value and felt fantastic to be welcomed back to BAE Systems with open arms. I realised I didn’t actually need to secure another academic qualification - there were many alternatives I could consider.”
Grace Johnstone joined us straight from high school, the only woman joining a team of over a hundred men, and is still with us 26 years later. She’s a Principal Engineer working as a system design signatory on Typhoon and loving every minute of it.

Grace has been supported by a number of colleagues throughout her career but as an introvert she’s struggled with speaking out about her achievements. She’s keen that others in the organisation are helped with that and chairs the Inspiring Woman Steering Board and President of the BAE Systems Air Speaker’s Club, set up to help females develop their speaking skills and self-confidence in the workplace.

“I want to establish ways to provide practical help and support to females in the business to ensure they have a rewarding and fulfilling career.”
One of our apprentices Billie Sequeira, currently in her third year of a three-year apprenticeship, has been named one of Women’s Engineering Society’s Top 50 Female Engineers. Billie is currently working within Hardware Engineering, identifying and finding design solutions for obsolescent parts and components.

Billie chose an apprenticeship at BAE Systems after a work experience visit to our site in Rochester. Talking about her decision, Billie said: “I thought long and hard about whether to go to university or do an apprenticeship. In the end I chose an apprenticeship because I thought it was a great opportunity to gain some real hands-on experience from experts in their fields. I am still keen to complete a degree and will have the opportunity to do this following the completion of my scheme at BAE Systems.”
## 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>Male</td>
<td>Female</td>
</tr>
<tr>
<td>All legal entities 2019*</td>
<td>10.3%</td>
<td>10.5%</td>
<td>18.6%</td>
<td>12.3%</td>
</tr>
<tr>
<td>BAE Systems plc</td>
<td>17.0%</td>
<td>14.7%</td>
<td>33.9%</td>
<td>29.9%</td>
</tr>
<tr>
<td>BAE Systems (Operations) Limited</td>
<td>9.6%</td>
<td>7.9%</td>
<td>13.7%</td>
<td>13.3%</td>
</tr>
<tr>
<td>BAE Systems Applied Intelligence Limited</td>
<td>17.1%</td>
<td>24.3%</td>
<td>34.5%</td>
<td>33.9%</td>
</tr>
<tr>
<td>BAE Systems Global Combat Systems Limited **</td>
<td>11.7%</td>
<td>11.3%</td>
<td>-25.9%</td>
<td>-4.8%</td>
</tr>
<tr>
<td>BAE Systems Global Combat Systems Munitions Limited</td>
<td>4.7%</td>
<td>7.3%</td>
<td>-1.3%</td>
<td>0.0%</td>
</tr>
<tr>
<td>BAE Systems Marine Limited</td>
<td>14.1%</td>
<td>12.2%</td>
<td>11.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>BAE Systems Surface Ships Limited</td>
<td>4.6%</td>
<td>5.1%</td>
<td>-0.3%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

| All legal entities 2018*                               | 9.0%           | 9.6%            | 18.0% | 8.9%    | 90%            | 74%                 | 26%              | 79%          | 21%         | 82%        | 18%        | 86%        | 14%        |
| All legal entities 2017*                               | 11.2%          | 10.3%           | 21.5% | 8.2%    | 76%            | 72%                 | 28%              | 80%          | 20%         | 83%        | 17%        | 87%        | 13%        |

*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.

**BAE Systems sold 55% of its shareholding in BAE Systems Global Combat Systems Limited in July 2019 to Rheinmetall Defense UK Limited to create the joint venture, Rheinmetall BAE Systems Land. BAE Systems Global Combat Systems Limited has since been renamed Rheinmetall BAE Systems Land Limited. BAE Systems Global Combat Systems Limited is included in this report to reflect its status within the BAE Systems group on 5 April 2019 and shall not be included in future BAE Systems reports.
The directors of our legal entities confirm the information and data reported is accurate as of the snapshot date 5 April 2019.

For BAE Systems plc and BAE Systems (Operations) Limited

Peter Lynas

For BAE Systems Applied Intelligence Limited

Julian Cracknell

For BAE Systems Global Combat Systems Limited** and BAE Systems Global Combat Systems Munitions Limited

Jennifer Osbaldestin

For BAE Systems Marine Limited

Cliff Robson

For BAE Systems Surface Ships Limited

Steve Timms

**BAE Systems sold 55% of its shareholding in BAE Systems Global Combat Systems Limited in July 2019 to Rheinmetall Defense UK Limited to create the joint venture, Rheinmetall BAE Systems Land. BAE Systems Global Combat Systems Limited has since been renamed Rheinmetall BAE Systems Land Limited. BAE Systems Global Combat Systems Limited is included in this report to reflect its status within the BAE Systems group on 5 April 2019 and shall not be included in future BAE Systems reports.