



Independent assurance statement by Deloitte LLP to BAE Systems plc on the Corporate Responsibility (CR) of the BAE Systems website for the year ended 31 December 2016 and corresponding performance indicators on pages 15, 22, 54, 55, 56 and 57 of the BAE Systems 2016 Annual Report

What we looked at: scope of our work

BAE Systems plc ('BAE Systems') engaged us to perform limited assurance procedures on the Group level compilation of selected corporate responsibility (CR) performance indicators for the year ended 31 December 2016. For the year ended 31 December 2016, the assured indicators are:

Safety

- Recordable Accident Rate (per 100,000 employees)
- Number of fatalities
- Number of major injuries
- Cause of major injuries recorded (%)

Responsible Business Conduct

- Employee enquires of Ethics Helpline
 - Volume (number)
 - Category of call (number)
- Number of dismissals for reasons relating to unethical behaviour

Diversity and Inclusion

- Age diversity
 - 24 and under
 - 25-34
 - 35-49
 - 50-59
 - 60+
- Gender diversity
 - Male
 - Female

Community Investment

- Total value of Community Investment program donations (£m)

Environment

- Carbon dioxide equivalent (tCO₂e) ("carbon footprint")
 - Scope 1
 - Scope 2 (location based)
 - Scope 3

The Group level environment, business conduct, safety, diversity and inclusion, community performance and environmental indicators on the webpage <http://www.baesystems.com/en/our-company/corporate-responsibility> indicated with a 1 and the corresponding performance indicators marked with a 1 on pages 15, 22, 54, 55, 56 and 57 of the 2016 Annual Report.

What standards we used: basis of our work, criteria used and level of assurance

Our work was carried out by a multi-disciplinary team of CR and business ethics assurance specialists in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000) (Revised). To achieve limited assurance the ISAE 3000 (Revised) requires that we review the processes, systems and competencies used to compile the areas on which we provide assurance. This is designed to give a similar level of assurance to that obtained in the review of interim financial information. It does not include the detailed testing of source data or the operating effectiveness of processes or internal controls.

For the selected CR performance indicators we planned and performed the work to provide limited assurance as to whether the BAE Systems' data on the webpage <http://www.baesystems.com/en/our-company/corporate-responsibility>, indicated with a 1 and the corresponding performance indicators marked with a 1 on pages 15, 22, 54, 55, 56 and 57 of the 2016 Annual Report, are not materially misstated.

The basis of reporting for each indicator marked with a 1 is provided at www.baesystems.com/2016basisofreporting and should be read in conjunction with the indicators and associated statements reported on BAE Systems' website.

What we did: key assurance procedures

Considering the risk of material error, we planned and performed the work to obtain all the information and explanations considered necessary to provide sufficient evidence to support our assurance conclusion. The key procedures we carried out included:

- Interviewing managers at BAE Systems' head office, including the CR team and those with responsibility for CR management and Group CR reporting
- Analysing and reviewing on a sample basis the key structures, systems, processes, procedures and controls relating to the Group level collation, validation and reporting of CR performance data including:
 - The collection, collation, validation and reporting of selected environmental, safety, diversity, community and business conduct performance data at the year end.
 - Using questionnaires to survey a limited purpose non-statistical sample of sites to gain an understanding of key processes and controls for reporting selected performance data to the Group CR team. Sites were selected based on safety performance, materiality to the Group and inherent risk of location. We did not perform any site visits during our work.
 - Examining underlying documents to corroborate questionnaire outcomes and to inform our assessment of the subject matter to be assured.
 - Performing limited purpose non-statistical sample testing to verify that data has been appropriately captured, investigated, categorised and reported.
 - With regard to the recordable injuries safety data, our testing comprised an assessment of the understanding of relevant policy and procedures held by a sample of Site Safety Leads, rather than a qualitative reassessment of non-major incidents and the underlying injuries.
- Understood and analysed on a non-statistical sample basis the collation, validation and reporting of selected CR performance data at Group level as indicated by a 1 is provided at <http://www.baesystems.com/en/our-company/corporate-responsibility>, in accordance with their definitions and basis of reporting.
- Reviewed the content of the CR section of the Annual Report 2016 and CR content of the website against the findings of the aforementioned procedures.

Limitations

In relation to our work performed on the CR performance indicators for 2016, we note the following specific limitations:

- With regard to GHG emissions data, testing was carried out on the sites that were included on the BAE Systems plc internal environment management system. These represented 91% of reported emissions in 2016. The remaining 9% of reported emissions consisted of estimated data for sites which were not tested for accuracy and completeness.

What we found: our assurance conclusion

Limited assurance conclusion:

Based on the assurance work performed nothing has come to our attention to suggest that the environment, business conduct, safety, diversity and inclusion and community performance indicators on the webpage, <http://www.baesystems.com/en/our-company/corporate-responsibility>, indicated with a 1 and the corresponding performance indicators marked with a 1 on pages 15, 22, 54, 55, 56 and 57 of the 2016 Annual Report, are in all material aspects, not fairly stated.

BAE Systems' responsibilities

- The Directors are responsible for the preparation of the Annual Report and for the information and statements contained in connection with it. They are responsible for determining BAE Systems' objectives in respect of CR performance and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Deloitte's responsibilities

- Our responsibility is to independently express conclusions on the reliability of management's assertions on the selected subject matters as defined within the scope of work above.
- This report is made solely to BAE Systems in accordance with our letter of engagement for the purpose of the directors' governance and stewardship. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility for anyone other than BAE Systems for our work, for this report, or for the conclusions we have formed.
- Our multi-disciplinary team of CR and business ethics assurance specialists performed the engagement in accordance with Deloitte's independence policies, which cover all of the requirements of the International Federation of Accountants (IFAC) Code of Ethics and in some areas are more restrictive. We confirm to BAE Systems that we have maintained our independence and objectivity throughout the year, including the fact that there were no events or prohibited services provided which could impair that independence and objectivity in the provision of this engagement.

Deloitte LLP

London

22 February 2017