

Chief Executive's Statement

We continued to make good progress during 2008 in further embedding responsible business conduct and other areas of corporate responsibility (CR) throughout our business.

The focus of our Executive Committee is total performance against every aspect of the way we do business: not only financial and programme performance, but also business conduct and CR. It is vital that we achieve the same degree of rigour and pursuit of continuous improvement in CR as we do in our financial and programme management. We want to have an inclusive culture in which the talents and skills of every one of our employees are recognised and used.

Reflecting our commitment to be recognised as a leader in responsible business worldwide, we have updated the first of our Group Strategic Objectives to 'Continue to embed a high performance culture including delivery of our CR agenda' (see page 2).

In May 2008, the Woolf Committee, an independent body appointed by the Board under the chairmanship of Lord Woolf, to review the Company's ethical standards, published its report. A steering group and associated working groups have been established to address all 23 recommendations, and a plan has been developed for implementation of these recommendations within three years. The aim is to establish the Company as a leader in business conduct, not just within our sector but within the global business community.

Consistent with the importance attached to CR and the drive towards leadership in business conduct, we have taken steps to embed such issues more directly in our day to day operations. An important part of this drive is the establishment of a global Code of Conduct which gives all employees a clear understanding of what is expected of them. The global Code of Conduct was launched in January 2009 to codify the required standards of personal and business conduct.

In September 2008, we appointed Raj Rajagopal to the new post of Managing Director Corporate Responsibility, reporting directly to myself. As a particular focus, he will help to ensure that high standards of safety and ethical business conduct are a key element of executive performance and central to everything we do at BAE Systems. Raj leads a team that is developing and supporting implementation of our CR programme. This encompasses business conduct, safety, health, environment, diversity and inclusion, social and community issues, and reputational risk throughout the organisation.

Providing a safe working environment for all of our employees and all those who work on our sites is a key priority. We are determined to continually improve safety standards across our business to levels comparable with other leading global companies.

While we have demonstrated real improvements in safety, we were deeply saddened by the tragic loss of five of our employees. We are reviewing and addressing the causes of these incidents and are fully supporting these enquiries.

We are determined that we shall be recognised as a leader in responsible business worldwide and we continue to strive for ways to improve our business and its reputation.



Ian King
Chief Executive

