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BAE SYSTEMS

BAE Systems' contribution to the UK

An independent analysis by Oxford Economics

July 2025

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Work to develop and evolve new technologies plays an important role in helping the UK and its allies stay ahead of evolving threats.

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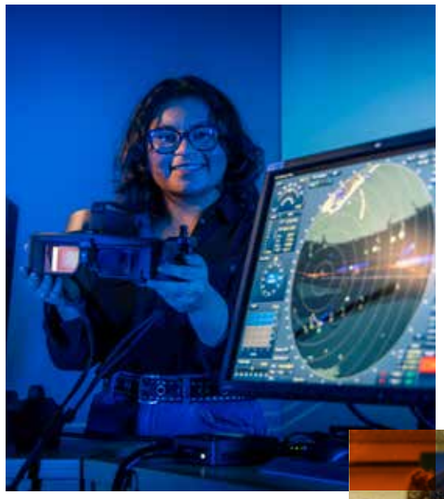
BAE Systems helps maintain the UK’s sovereign defence capabilities by developing and sustaining scientific, technological and manufacturing skills.



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Employment and procurement spending helps to support economic activity in some of the most deprived areas of the country.

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Foreword by Charles Woodburn CBE
Chief Executive, BAE Systems plc

At BAE Systems, our skilled UK workforce of almost 50,000 people is committed to a clear purpose: to help protect this country, its people and its allies by developing and delivering cutting-edge defence and security solutions.

From Cowes on the Isle of Wight to the shipyards in Glasgow, we are working at pace, in partnership with the UK Government and our armed forces, to deliver advanced technology-led platforms and services. These capabilities are essential to the UK's ability to respond to emerging threats across air, sea, land, cyber and space in an increasingly complex world.

This new report from Oxford Economics shows that defence spending does more than safeguard national security — it also fuels economic growth and creates employment and opportunities in communities across the UK. In 2024 alone, our UK operations supported 159,600 jobs and added £13.7bn to the country's GDP.

In the two years since we last published this report, our business has continued to grow. We are investing in both our facilities and our people, with a long-term focus on strengthening national resilience. Between 2019 and 2024 we welcomed 15,000 people to our workforce, and last year we committed £495m to major capital projects in the UK. That investment is already taking shape. We're expanding our submarine yard at Barrow-in-Furness, modernising shipbuilding facilities in Glasgow, extending munitions production at sites in South Wales and the North East of England, and in Sheffield we're establishing a new artillery development and production facility creating 200 jobs. We continue to invest across our military aircraft design and manufacturing sites, enhancing engineering tools and technologies in preparing for new programmes. These are multi-decade commitments, aimed at building capacity, improving efficiency and creating modern workplaces for our people.

> "This new report shows that defence spending does more than safeguard national security — it also fuels economic growth and creates employment and opportunities in communities across the UK.

As the UK's largest defence supplier, we take immense pride in our central role in building and sustaining the defence industrial base, strengthening Britain's ability to scale production when it matters most. We're investing in sovereign skills and domestic capabilities: the technologies, supply chains and expertise that help our nation to retain its freedom of action through an enduring ability to design and manufacture defence equipment independently. Our work supports an extensive UK-wide supply chain of some 5,800 companies, with a spend of £5.8bn last year.

Investing in people is just as vital as investing in technology. The expertise and ingenuity of our workforce enable the UK's armed forces and security services to stay prepared. By the end of 2025, BAE Systems will have invested over £1bn in education and skills since the start of the decade. This year alone, we're recruiting more than 2,400 new apprentices and graduates across the UK – the next generation of engineers, technicians and specialists who will shape the future of defence.

To help drive defence innovation, and on behalf of our customers, we invested and managed £6.8bn in R&D projects in the UK over the five years to 2024. Working with universities and small and medium sized enterprises (SMEs) we accelerate UK knowledge in areas like quantum, artificial intelligence and advanced materials. For example, in collaboration with Infleqtion, an Oxford-based SME, we helped turn a lab-based physics experiment into an aircraft demonstration, showing how a quantum device could provide navigation in place of GPS.

BAE Systems has a long track record of delivering international defence partnerships that maintain global security. Our export programmes are also a major driver of growth at home, bringing billions into regional economies across the UK. In 2024, we exported £3.6bn worth of defence and security products and services, supporting long-standing UK alliances and new partnerships, including the AUKUS programme with the US and Australia, and the Global Combat Air Programme (GCAP) with Italy and Japan. These programmes will deliver domestic economic and industrial benefits for decades to come.

At Barrow-in-Furness, the home of Royal Navy submarine building since 1901, we see at first-hand how growing international demand is helping communities here in the UK to thrive. We are a proud partner in Team Barrow, which is delivering £200m of investment to regenerate the town including areas such as education and skills, transport, wellbeing, health and housing.

I'm particularly proud of the role BAE Systems plays in creating opportunity and driving social mobility. As the Chair of Movement to Work, a charity that helps young people not in education, employment or training, it means a great deal to see the difference we're making. More than 300 young people have now joined us in permanent roles after gaining experience at one of our UK sites, turning a short placement into a promising career.

Alongside our partnerships with our local communities, we are working to support the armed forces community, including serving personnel, their families and veterans. A highlight for me last year was joining WW2 veterans in Normandy to mark 80 years since D-Day, when we welcomed HRH King Charles III to open the new BAE Systems-sponsored Winston Churchill Centre for Education and Learning. This is a dedicated facility where future generations will learn about the sacrifices made for our freedom.

The commitment our people show, to each other, to their communities and to our shared purpose of protecting those who serve, demonstrates the culture of our workplace. I'm deeply proud of what we've achieved over the past two years. In these uncertain times, as we stand alongside the UK Government and our armed forces, it's a privilege to lead an organisation making such a far-reaching and long-term contribution to the UK's security, innovation and growth.

Executive summary

BAE Systems is the largest defence, aerospace and security company in the UK and in Europe. It is the largest supplier to the UK's Ministry of Defence in terms of annual spend. The Company partners with government, industry peers and companies of all sizes to design, build, and maintain advanced defence and security technologies and it plays a key role in developing the resilience of the UK's defence industrial base. This activity leaves a substantial footprint on the UK economy and in society.

This report focuses on the contribution BAE Systems made to the UK economy and society in 2024. The breadth and depth of BAE Systems' operations in the UK mean the Company plays a significant role in delivering the nation's industrial strategy and sovereign defence capabilities. The extent of its management of publicly funded R&D investment, its export performance and its support for high-value jobs help underpin the resilience of the UK's defence industrial base. BAE Systems has an important role in ensuring the UK can design, build and maintain the capabilities it needs to defend its interests, both independently and with allies.

We assess this impact through the Company's contributions to UK gross domestic product (GDP), employment and tax revenues. We also describe how BAE Systems helps to maintain the UK's defence industrial base and contributes to the UK's prosperity, through driving British innovation in critical technologies, and developing sovereign defence-related skills and expertise. These activities support long-term jobs in communities across the country, stimulating technological collaboration with partner companies and universities and generating economic activity across a diverse supply chain. We assess the impact of BAE Systems at the national level, and then look in closer detail at key areas where the Company has a particularly significant regional footprint.

■ FULL-TIME JOBS SUPPORTED

159,600

UK full-time equivalent jobs supported by BAE Systems in 2024, including 49,600 directly.

In 2024, we estimate that BAE Systems supported 159,600 full-time equivalent (FTE) jobs in the UK. This employment is supported through three channels: those directly working for the Company; the indirect impact within the Company's supply chains; and the induced effect when employees at the Company and workers within its supply chains spend their wages. In 2024, BAE Systems had 49,600 direct employees in the UK; supported indirect employment of 60,600 workers at the Company's 5,800 suppliers and their onward supply chains; with an induced impact of 49,400 workers.[1] For every 100 FTE jobs at BAE Systems, the Company supported a total of 320 jobs in the UK economy as a whole. In 2024, BAE Systems spent £5.8bn with the 5,800 organisations in its UK supply chain.[2]

■ CONTRIBUTION TO UK GDP

£13.7bn

Total gross value-added contribution to UK GDP in 2024 by BAE Systems.

For every £100 contributed directly by the Company, a total economic contribution of £325 was supported.

In total, we estimate the Company's GDP contribution in 2024 at a total of £13.7bn, is equivalent to 0.5% of the UK economy.[3] Of this, BAE Systems' own operations directly contributed £4.2bn. The Company's procurement spending supported £4.8bn of GDP, with a further £4.7bn from BAE Systems employees and workers in the Company's supply chain spending their wages. For every £100 contributed to GDP directly by the Company, a total of £325 was supported across the economy.

[1] "Employees" is used in this report to represent employees of BAE Systems, where 49,600 is the employee headcount including share of equity accounted investments, as reported in the BAE Systems 2024 Annual Report (p24). "Workers" is used to represent other people with jobs supported through the economy by BAE Systems on a full-time equivalent (FTE) basis, including contingent labour and those supported through indirect and induced effects.

[2] Including spending on contingent labour.

[3] See pages 12 and 13 and Appendix B for more details on Oxford Economics' economic impact modelling.

■ CAPITAL INVESTMENT

£495m

In new facilities and technologies.

■ PRODUCTIVITY

£84,800

Average productivity per BAE Systems employee.

■ RESEARCH & DEVELOPMENT

£6.8bn

R&D work carried out by BAE Systems over the five years to 2024.

■ SUPPLY CHAIN SPENDING

£5.8bn

Procurement spending with 5,800 UK suppliers in 2024 including £1.3bn spent in the UK's most deprived areas.

BAE Systems' impact goes well beyond these core contributions. In 2024, it invested £495m in capital projects to expand and enhance its UK business, boosting capacity and modernising operations. These investments support the UK's long-term growth by improving productivity and increasing economic capacity.

BAE Systems also plays a role in boosting UK exports, selling £3.6bn of products and services overseas in 2024. After accounting for £1.2bn in imports, this resulted in a net export contribution of £2.4bn to the UK trade balance.

Through its research & development (R&D) spending and technological development, BAE Systems makes a significant contribution to British innovation in critical technologies. Over the five years to the end of 2024, the Company carried out £6.8bn of R&D work in the UK, including publicly funded research for customers such as the Ministry of Defence. In 2024, this totalled £1.3bn, including £120m of self-funded research and £1.2bn commissioned by customers. This work to develop and evolve new technologies plays an important role in helping the UK and its allies stay ahead of evolving threats. To help deliver these R&D efforts, the Company collaborates with expert scientists and engineers at universities and research centres across the UK, as well as with industrial partners, start-ups and small and medium sized enterprises (SMEs).

BAE Systems has a wider impact on the UK through its investment in people and the communities where it operates. As part of a £1bn investment in skills over five years since 2020, the Company spent a total of £230m in 2024 on skills development and education. This included £200m to train 4,650 apprentices and just over 1,000 graduate employees and university placement students. Through these skills investments, BAE Systems helps maintain the UK's sovereign defence capabilities by developing and sustaining scientific, technological and manufacturing skills.

The Company's employment and procurement spending helps to support economic activity in some of the most deprived areas of the country. In 2024, BAE Systems had 20,800 direct employees who lived in the most deprived fifth of local authority areas in the UK, equivalent to 42% of BAE Systems' total UK workforce. The Company also spent nearly £1.3bn with suppliers in these areas.

BAE Systems supported a total tax contribution to the UK Exchequer of £3.6bn in 2024 through all channels of impact. For context, this is around half of the Department for Transport's budget for building, maintaining and repairing roads in 2023–24. Of the total, the Company contributed £1.1bn directly, largely through corporation tax and labour-related taxes such as National Insurance contributions and income tax.

■ EXPORTS

£3.6bn

Exports by BAE Systems from the UK in 2024.

■ EDUCATION

£1bn

Invested in skills over 2020 to 2025.

■ TAX CONTRIBUTION

£3.6bn

Total tax contribution to the UK Exchequer in 2024.

[4] National Audit Office, Overview of the Department for Transport for the new Parliament 2023-24, November 2024., p. 8.

1. Introduction

1.1 Background

Headquartered in the UK, BAE Systems plc ("BAE Systems" or "the Company") is one of the largest defence, aerospace and security companies in the world and the biggest in both the UK and Europe.[5] Globally, BAE Systems employs around 107,000 people in more than 40 countries,[6] including the US, Australia and countries in the Middle East. In the UK, it is the largest supplier to the Ministry of Defence (MOD) in terms of annual spend.[7]

The Company partners with government, industry peers and companies of all sizes to design, build, and maintain advanced defence and security technologies and it plays a key role in developing the resilience of the UK's defence industrial base. In 2025, the Government stated its commitment to increase defence spending to 2.5% of GDP from 2027.[8] It has also identified defence as one of eight growth-driving sectors in its industrial strategy.[9]

BAE Systems plays a leading role in this defence industrial ecosystem, helping to secure the UK and its allies against evolving threats across land, sea, air, cyber and space. BAE Systems develops and exports platforms such as the Typhoon combat aircraft for the Royal Air Force and the Type 26 frigate programme for the Royal Navy. It designs and manufactures all the Royal Navy's submarine fleet and produces ammunitions for the UK and its allies. The Company delivers torpedoes, radar systems, warship support and battlefield communication systems, as well as advanced technologies such as cyber security and data analytics. The Company also develops products for commercial markets, in areas such as avionics, electric propulsion and uncrewed air systems.

In the UK, BAE Systems Air designs, manufactures, tests and services combat aircraft and is developing uncrewed air systems. The Company's Maritime and Land businesses design, engineer, manufacture and test submarines, surface ships, naval combat systems and munitions. BAE Systems Digital Intelligence provides digital and data services, battlespace integration, cyber security and space solutions. Also based in the UK are BAE Systems businesses that form part of BAE Systems Inc; these include a Weapon Systems business based at Barrow and at Sheffield, as well as the Rochester-based Electronic Solutions site which develops helmet-mounted displays for pilots and electric drive technologies.

BAE Systems has a significant presence in the UK, with 49,600 direct employees across more than 50 worksites,[10] and 15,000 employees recruited between 2019 and 2024 to meet the requirements of new defence programmes, particularly in its Air, and Maritime and Land businesses.[11] The Company has a substantial footprint on the UK economy — supporting local expertise and long-term jobs in communities across the country, stimulating activity across a diverse supply chain and driving British innovation in critical technologies. This report assesses the national economic impact of BAE Systems through its contributions to gross domestic product (GDP), employment and tax revenues in 2024. This contribution is estimated from the Company's own operations, its supply chain spending and from consumer spending by employees of BAE Systems and workers in its supply chain.

[5] Stockholm International Peace Research Institute, The SIPRI Top 100 arms-producing and military services companies in the world, 2023.
[6] BAE Systems, Annual Report 2024, p.24.
[7] Ministry of Defence, MOD trade, industry and contracts 2024.
[8] House of Commons, UK to spend 2.5% of gross domestic product on defence by 2027, 26 March 2025.
[9] Department for Business & Trade, Invest 2035: the UK's modern industrial strategy, 24 November 2024.
[10] As at 31 December 2024 and including share of equity accounted investments: BAE Systems, Annual Report 2024, p.24.
[11] Employment figures presented in this report are given on a full-time equivalent (FTE) basis. Includes share of equity accounted investments in each year.

In addition to estimating the national economic impact of BAE Systems in 2024, we also examine its footprint in local areas. In Chapter 5, we assess the Company's impact on employment in six parts of the UK:[12]

London and the South East: BAE Systems has offices across a wide swathe of the South East and in London, with its head office spanning premises in the capital and in Frimley. In Frimley and New Malden employees specialise in maritime combat systems and in Alton and Oxford employees work on uncrewed air systems technologies. In this section we focus on the Company's major operations around Portsmouth, including at His Majesty's Naval Base, as well as an electronics design and manufacturing facility in Rochester, Kent.

The North West of England: BAE Systems has its submarines business base at Barrow-in-Furness in Cumbria and a small facility in Manchester. The Company's Digital Intelligence business also runs a facility in the city. The Air sector has major operations at Warton and Samlesbury in Lancashire. In addition, administrative offices that service the UK Company are based in Preston. A munitions production site is based outside Crewe at Radway Green.

The North East of England, Yorkshire and the Humber: the Company has centres for digital aerospace engineering in Brough, near Hull; its Digital Intelligence business in Leeds; munitions production and testing sites in Washington and Ridsdale in Northumberland; and an artillery manufacturing site in Sheffield.

Scotland: shipbuilding is a major focus of the Company's sites in Scotland, with two shipyards in Glasgow. The Company also specialises in electronics development and manufacturing at Hillend outside Edinburgh; operates a regional aircraft engineering support facility in Prestwick; delivers munitions testing in Bishopton; and employs staff to service the Typhoon aircraft fleet at RAF Lossiemouth.

The South West of England: BAE Systems has sites in Yeovil and Christchurch specialising in software development and communications technology. Digital Intelligence has offices in Gloucester and Ross-on-Wye. In Weymouth, operations focus on submarine engineering and a Dorchester site specialises in naval combat systems. Outside Bristol, employees work alongside Ministry of Defence staff on programme management.

Wales: a munitions factory in Glascoed, Monmouthshire, is the largest BAE Systems site in Wales, with a smaller number of employees supporting fast jet pilot training and Hawk operations at RAF Valley on Anglesey.

[12] The regions of England used here are defined by Office for National Statistics' definitions.

1. Introduction

1.2 Estimating the impact of BAE Systems in the UK

Through its day-to-day operations, every year BAE Systems purchases goods and services from thousands of UK suppliers.[13] These suppliers in turn procure their own inputs from other UK businesses, supporting further economic activity in the UK through the supply chain. Still more economic activity is supported when employees of BAE Systems and workers in its supply chains spend their wages in consumer-facing sectors.

The sum of these three impact channels — the direct channel, the supply chain or "indirect" channel and the wage-spending "induced" channel — makes up BAE Systems' total economic impact, quantifiable in terms of jobs, GDP and tax receipts.[14] This report quantifies each of these impacts.

We also highlight how BAE Systems supports UK growth and prosperity. Investment in R&D drives innovation, building skills, capability and long-term competitiveness. By improving efficiency and operational performance, innovation can deliver greater value and reduce costs to the taxpayer. It also benefits society more widely, strengthening regional infrastructure, supporting public services and advancing social mobility. Through investment in people and places, BAE Systems helps sustain the sovereign skills needed for national defence while contributing to local economies, especially in some of the UK's most deprived areas.

[13] In 2024, BAE Systems spent more than £5.8bn with over 5,800 distinct suppliers in the UK. See Chapter 2 for additional information.
[14] See pages 12 and 13 and Appendix B for more details on Oxford Economics' economic impact modelling.

1.3 Structure of this report

The remainder of the report is structured as follows:

Chapter 2 provides national-level estimates of the GDP, employment and tax contributions supported by BAE Systems in the UK. Wider economic contributions, through investments in capital equipment, export activity and supply chain management are also discussed.

Chapter 3 discusses how BAE Systems contributes to the longer-term economic prosperity of the UK through investments in R&D, helping to drive innovation and support technological advancements.

Chapter 4 explores how the Company delivers positive social impact through its investment in people and communities, including its efforts to create opportunity and drive growth in deprived areas of the country. It covers BAE Systems' support for the armed forces and the preservation of the UK's military heritage, as well as environmental management at its sites.

Chapter 5 presents employment estimates for six regions in the UK: London and the South East of England, the North West of England, the North East of England, Scotland, the South West of England and Wales.[15]

The appendices set out detailed local findings (Appendix A), as well as information on the economic impact methodology adopted (Appendix B).

[15] The regions of England used here are defined by Office for National Statistics' definitions.

OXFORD ECONOMICS

1.4 Oxford Economics' economic impact modelling

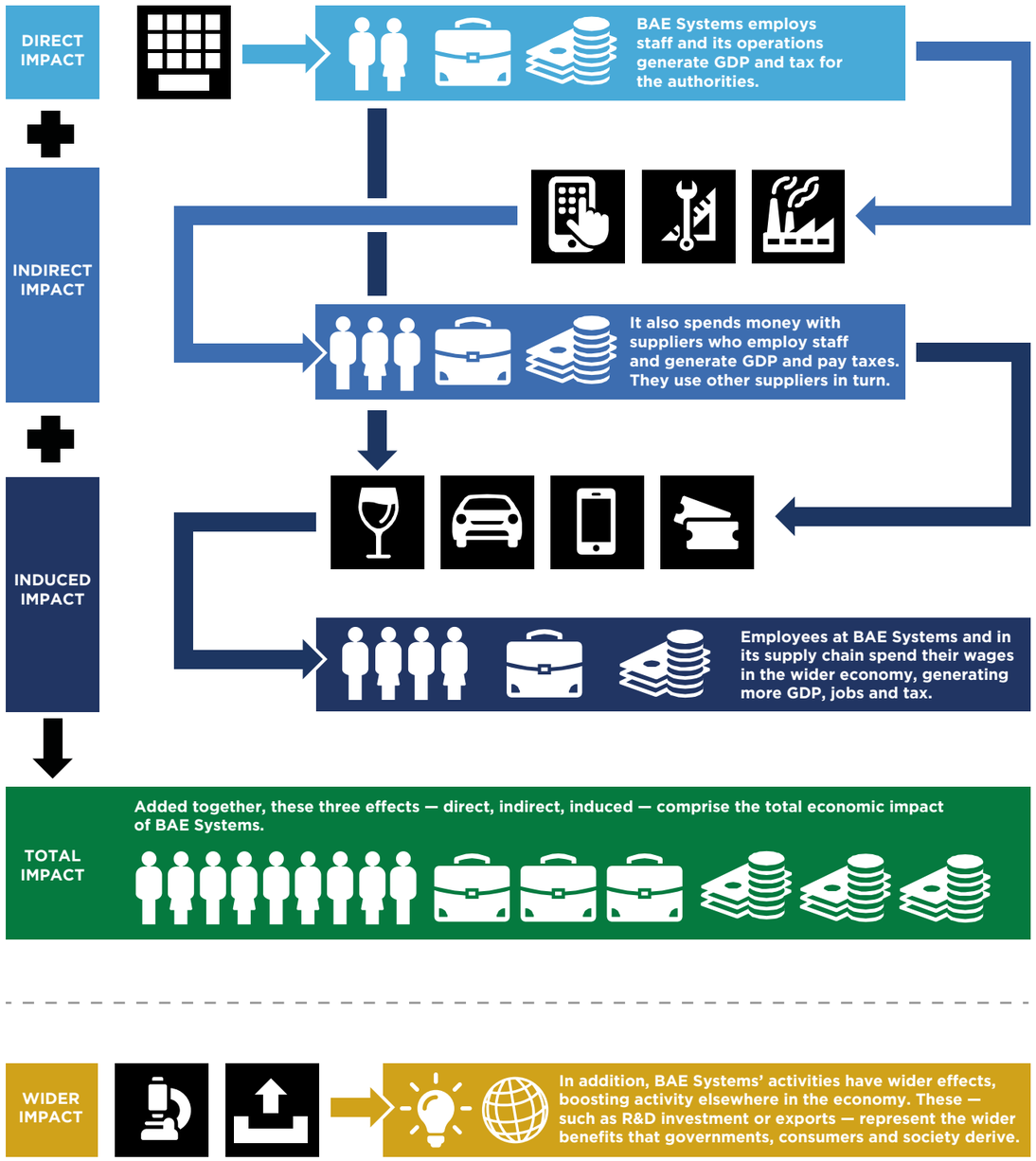


Figure 1: The five channels of economic impact in Oxford Economics' model.

An introduction to Oxford Economics' economic impact modelling

The full impact of BAE Systems on the UK economy is assessed using a standard means of analysis called an economic impact assessment. This involves quantifying the Company's total impact on the UK across three "core" channels:

Direct impact—relating to BAE Systems' own UK activities. This encompasses the economic activity, taxes and employment directly supported by the Company.

Indirect impact—the economic activity, taxes and employment supported in the UK supply chains of BAE Systems' UK sites, because of their procurement of goods and services from other companies. Note: this channel includes the impact of the Company's capital investments, such as new facilities and IT equipment, as well as that of its day-to-day purchases.

Induced impact—the wider economic benefits that arise when BAE Systems' employees in the UK, and workers in the Company's UK supply chains, spend their earnings—for example in local retail and leisure establishments.

This approach enables building a picture of BAE Systems' overall contribution to the UK economy in 2024 across three key metrics:

Economic contribution—or more specifically, BAE Systems' gross value added (GVA) contribution to GDP. In simple terms, we estimated the GVA of BAE Systems as the Company's revenue minus its procurement spending. For brevity, we refer to this as the "economic contribution" throughout the report.

Employment—measured on a full-time equivalent basis.

Government revenues—including income tax, corporation tax, business rates and National Insurance contributions.

Alongside these core economic impacts, this report also considers the wider economic impacts through which BAE Systems contributes to the UK's long-term prosperity. These effects include driving innovation through research and development, delivering a positive social impact in communities, and supporting regional development and equality by sustaining jobs and economic activity in some of the most deprived locations around the country.

The modelling upon which this report is based computes the economic footprint of BAE Systems in the UK for 2024. This approach uses financial data for that year from BAE Systems' own accounts, plus the latest economic data available at the time of writing.

Fig. 1 (opposite) presents a schematic diagram of Oxford Economics' Economic Impact Analysis model. Additional information on Oxford Economics' modelling approach is provided in Appendix B.

2. Economic impact

BAE Systems' operations have a broad economic footprint across the UK. This chapter presents estimates of BAE Systems' national economic impact, based on its contributions towards GDP, employment and tax in 2024, as well as the Company's wider contributions through its export activity and capital investment.

2.1 GDP impacts

This section presents estimates of BAE Systems' contributions to GDP in 2024. Combining the GDP directly supported by its UK operations, the indirect impacts stimulated by the Company's supply chain spending and induced impacts from wage payments to workers employed in its supply chains, BAE Systems contributed a total of £13.7bn to GDP in 2024. This total contribution implies that for every £100 of GDP directly generated by BAE Systems, the Company contributed a total of £325 to the UK economy in 2024.

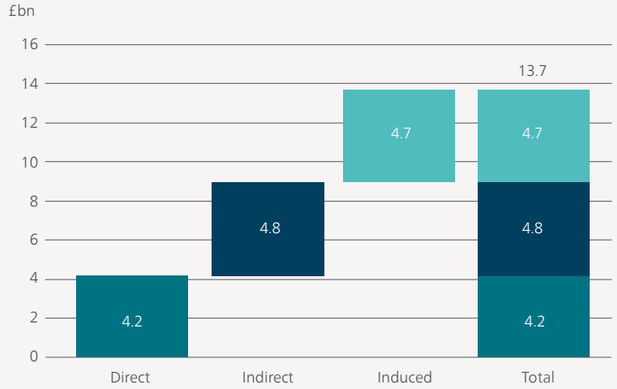


Fig. 2. Total contributions to GDP supported by BAE Systems, 2024.

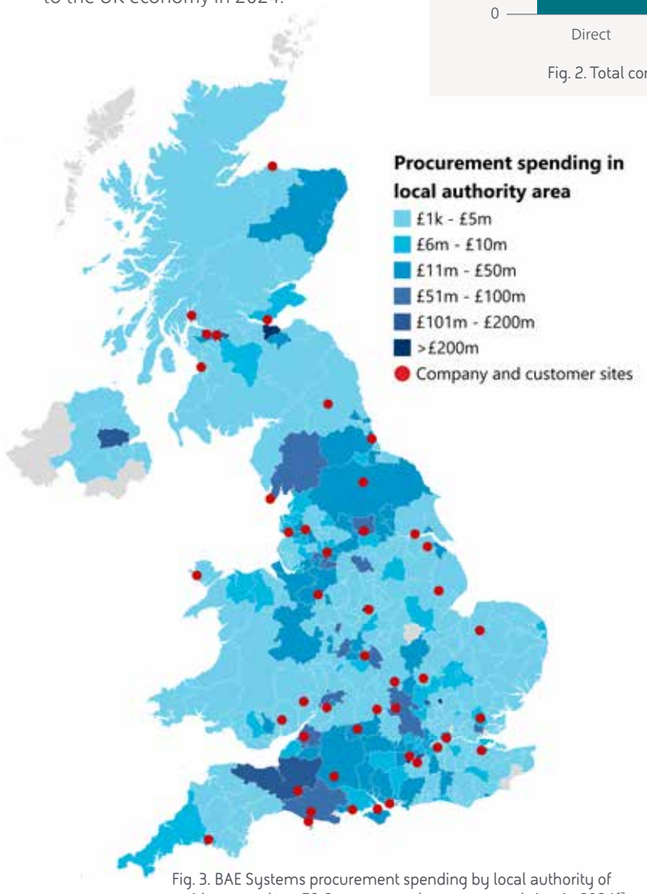


Fig. 3. BAE Systems procurement spending by local authority of residence, and top 50 Company and customer worksites in 2024.[17]

2.1.1 Direct GDP

In 2024, BAE Systems' operations in the UK generated nearly £10.6bn in revenue. From this revenue, the Company generated an estimated £4.2bn in gross value added (GVA) contributions to the national economy,[16] representing 0.16% of the UK's national economy in 2024.

[16] Based on a production approach to estimating GDP, subtracting total procurement spending from revenue.
[17] Top 50 sites by number of employees.

2.1.2 Indirect GDP

BAE Systems' operations are enabled by substantial procurement expenditure with a diverse range of suppliers in the UK. In 2024, the Company indirectly contributed to GDP by spending £5.8bn on domestic procurement with over 5,800 distinct UK companies.[18] Large categories of procurement spending included purchases of sensors, radar, IT services, aircraft systems and engines.

This indirect spending creates opportunities for businesses across the UK. Section 4.2 further explores the prevalence of this spending within the UK's most deprived areas.

Based on this procurement spending, BAE Systems stimulated an estimated £4.8bn in GDP through its supply chain activity in 2024. Breaking this impact down by sector, the sector with the largest indirect GDP impact was manufacturing at £1.2bn followed by professional services at £950m. The Company also supported significant impacts in the retail and wholesale trade sector, the real estate sector, administrative services and information services.

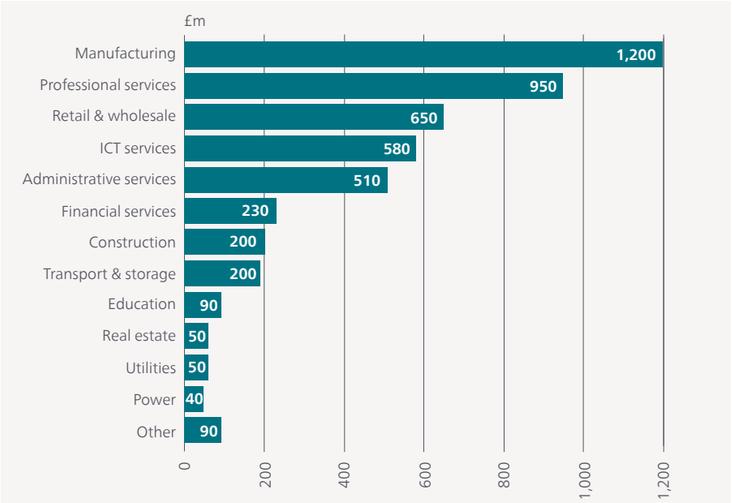


Fig. 4. Sectoral breakdown of indirect contributions to GDP supported by BAE Systems, 2024. Figures may not sum due to rounding.

Further details about BAE Systems' management of its supply chain can be found on page 25. An analysis of the Company's spend with suppliers on a regional basis is described in Chapter 5 and a breakdown of spend is included in Appendix A.

■ CONTRIBUTION TO UK ECONOMY

£325

for every £100 contributed to GDP by BAE Systems

2.1.3 Induced GDP

Wage spending by BAE Systems' employees, as well as workers employed in the Company's supply chain, provides a further contribution to economic activity. This consumer-spending impact contributed an estimated £4.7bn in GVA to the UK economy in 2024. The induced GVA impact is greater in consumer-facing sectors, such as real estate and the retail and wholesale sector.

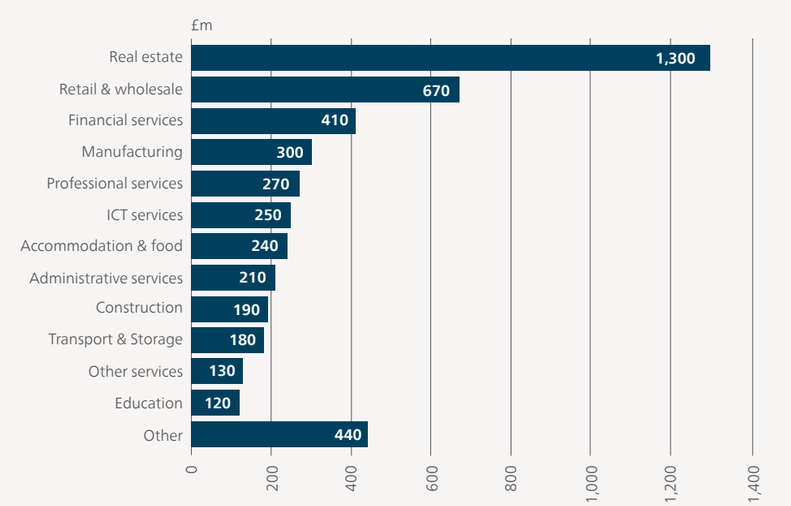


Fig. 5. Sectoral breakdown of induced contributions to GDP supported by BAE Systems, 2024. Totals may not sum due to rounding.

[18] Including spending on contingent labour.

2. Economic impact

Submarine work transforming Barrow-in-Furness

Barrow-in-Furness is home to BAE Systems' submarine design and construction operations, and the Company's largest shipyard in the UK by workforce size.[19] One in three people of working age in the town works directly for BAE Systems or a business in its wider supply chain.[20] This number is set to increase as requirements for new and more advanced submarines lead to a significant programme of multi-million pound investments at the shipyard. This includes doubling the size and capacity of the current submarine building facilities.

To support the delivery of the submarines and the transformation of the town and the surrounding area, in 2024 the Team Barrow partnership was formed. This collaboration between the UK Government, BAE Systems, and Westmorland and Furness Council will help oversee the delivery of £200m through the Barrow Transformation Fund. The Fund will focus on supporting initiatives such as investments in new housing, renewal of the town centre, roads and new infrastructure, and education projects.

The requirements of the submarine programmes at Barrow have already led to unprecedented new investments in engineering and manufacturing skills, alongside a multi-million pound set of investments the Company is making across the town to provide the local community with education, science, technology, engineering and maths (STEM) and community outreach and recruitment services. Together, these are aimed at upskilling the existing local workforce and equipping young people in the community to work at BAE Systems or at a supplier company.

In 2018 the Company invested £25m opening a state-of-the-art training academy, the Company's flagship Submarine Academy for Skills and Knowledge (SASK). The facility provides professional development for 2,500 people a month and acts as a hub for lifelong learning, including the Company's growing apprentice and graduate schemes.

A new community engagement space, The Bridge, at the heart of Barrow's new Portland Walk Campus in the town centre is providing education outreach opportunities as well as information about local employment and training opportunities with BAE Systems, the Submarine Delivery Agency and a range of other employers.[21] The next stage of the campus will see a Submarines Centre for Experiential Learning which will train BAE Systems' future workforce.

Work on the Portland Walk Campus is taking place in tandem with the creation of a multi-million pound Barrow Learning Quarter. The Quarter comprises the University of Cumbria's new university campus together with upgraded and expanded facilities at Furness College's Sixth Form site. The Company is also sponsoring a number of bespoke scholarships in Mechanical Engineering and Computer Science, working in partnership with the university.

[19] Westmorland & Furness Council, Barrow and Furness: The UK's Centre for Defence and Energy Security.
[20] Westmorland & Furness Council, Westmorland and Furness Council welcomes £200 million Barrow investment announcement, March 2024.
[21] Team Barrow, Our Plan for Barrow.

2.2 Employment impacts

BAE Systems supports employment across the UK economy directly through its own operations as well as through its supply chain purchases and workers' spending. Employment figures presented in this chapter are given on a full-time equivalent (FTE) basis.

Through its own operations and the employment sustained by its indirect and induced impacts, BAE Systems supported a total of more than 159,600 jobs in FTE terms in the UK in 2024. This means that for every 100 direct employees of the Company, it supported a total of 320 jobs across the UK economy.

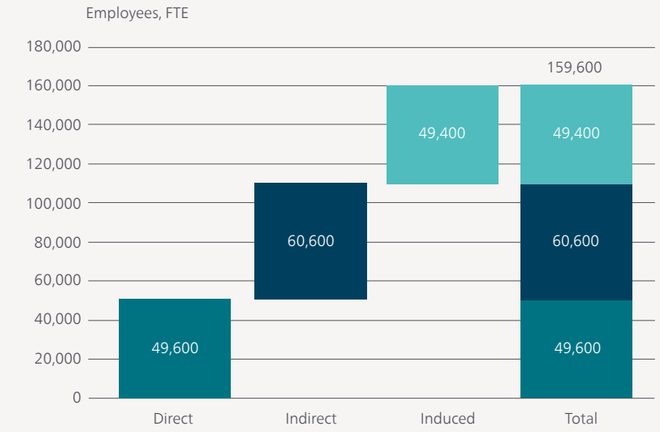


Fig. 6. Total employment supported by BAE Systems, 2024.

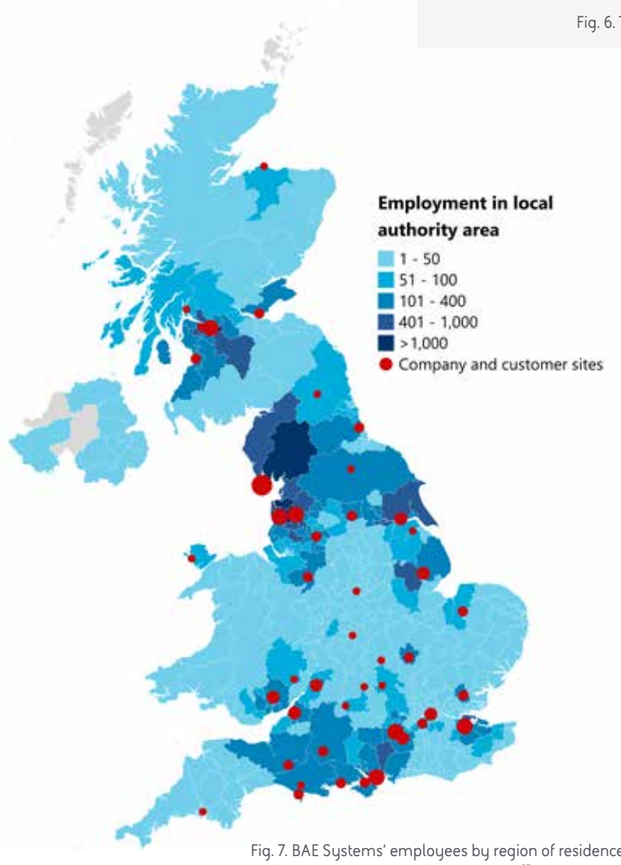


Fig. 7. BAE Systems' employees by region of residence, and major Company worksites in 2024.[25].

2.2.1 Direct employment

In 2024, BAE Systems directly employed 49,600 employees in the UK.[22] This is equivalent to approximately 46% of the Company's global workforce, and 1.9% of the UK's manufacturing workforce.[23]

BAE Systems' workforce is spread across more than 50 worksites and facilities around the UK. Its largest site by employment is at Barrow-in-Furness in the North West of England, which had 12,300 direct employees in 2024.[24] The largest sites by employment thereafter are Warton (6,400 employees) and Samlesbury (5,600 employees), both located in Lancashire in the North West of England. In total, more than half (54%) of BAE Systems' UK employees reside in this region.

A further 17% of BAE Systems' employees are based in the South East of England. Portsmouth Naval Base, in Hampshire, is a major site in the South East, and the base for 3,700 employees. Scotland is the third largest location by employment, representing 10% of the Company's UK employment. Major sites in Scotland include the Scotstoun and Govan shipyards in Glasgow, together with 4,000 direct employees in 2024. Chapter 5 examines local employment impacts in these regions in greater detail.

Reflecting the technical nature of its work, BAE Systems employed a highly skilled workforce in 2024, with 73% in engineering or engineering-related roles. This included 32% in core engineering disciplines such as electrical, software and mechanical engineering, and 28% in manufacturing and operations. A further 13% worked in project management. The remaining employees supported the Company in areas such as procurement, IT, HR and finance.

[22] As at 31 December 2024 and including share of equity accounted investments: BAE Systems, Annual Report 2024, p.24.
[23] Based on Office for National Statistics Workforce Jobs data for manufacturing sector.
[24] Employment figures presented in this report are given on a full time equivalent (FTE) basis.
[25] Top 50 sites by number of employees.

2. Economic impact

Combining the estimated direct GDP and employment results, BAE Systems employees' average productivity in 2024 was approximately £84,800 per FTE employee, 15% higher than the average employee across the UK economy.[26]

The Company's employment included filling 5,200 positions with permanent hires in 2024. The majority of experienced hires joined to support growth in the Submarines and Air businesses in the North West of England. (Fig. 9).

BAE Systems also recruited 1,260 apprentices in 2024 following a record intake year for the Company of 1,320 in 2023. Altogether there were 4,650 apprentices in training at BAE Systems in October 2024 and the Department for Education ranked BAE Systems sixth in its top apprenticeship employers list in 2024.[27] The Company also recruited just over 1,000 graduates in 2024.

Two-thirds of the new early careers recruits in 2024 joined the Submarines and Air businesses, both largely located in the North West of England. Those joining the Maritime and Land Defence Solutions and Digital Intelligence businesses made up much of the remainder. Find more information about how BAE Systems develops young people in the case study on page 35.

■ APPRENTICES IN TRAINING

4,650

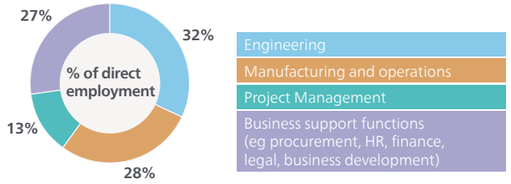


Fig. 8. Share of employment by job function at BAE Systems in 2024.

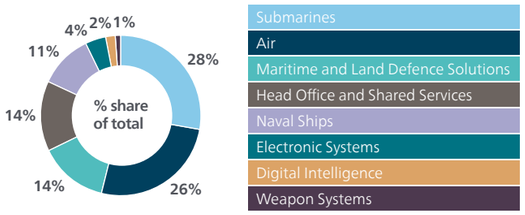


Fig. 9. Experienced hires at BAE Systems by business in 2024.

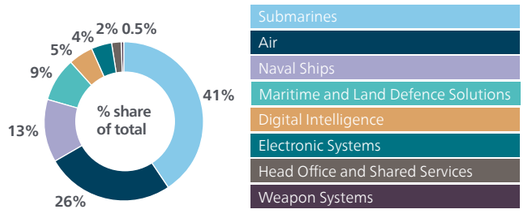
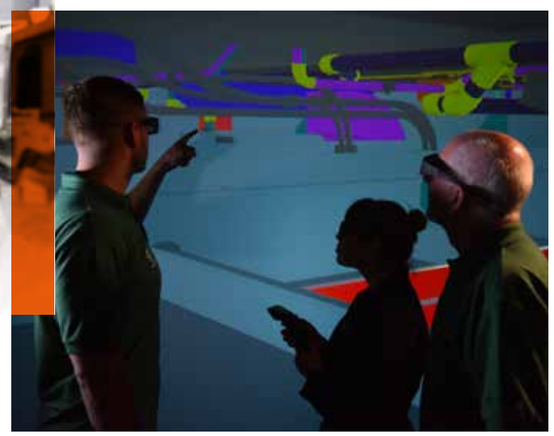


Fig. 10. Total early careers new joiners by business area in 2024.



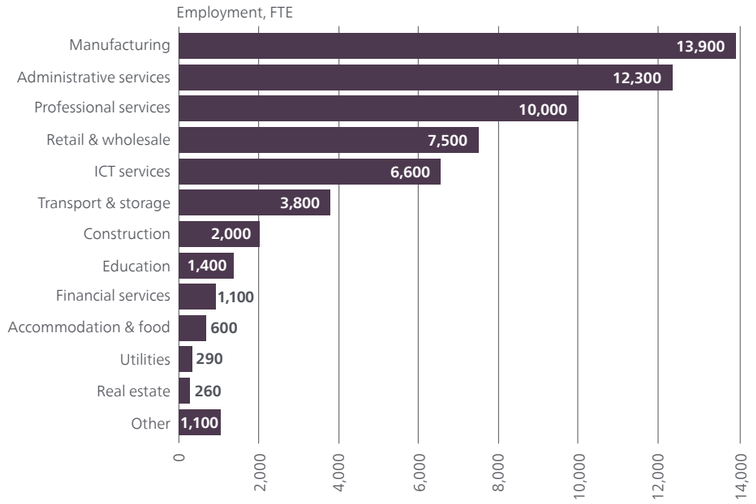


Fig. 11. Sectoral breakdown of indirect employment supported by BAE Systems, 2024. Totals may not sum due to rounding.

2.2.2 Indirect employment

Beyond the direct employees at its sites, BAE Systems supports further employment in the UK workforce through the economic activity stimulated by its supply chain spending. In 2024, BAE Systems supported an estimated 60,600 workers in FTE terms.[28]

The largest indirect employment impacts are seen in the manufacturing sector followed by the administrative services sector, professional services and retail and wholesale trade (Fig. 11). This profile reflects BAE Systems' supply chain spending on products and services to support the delivery of defence programmes that have a significant manufacturing element as well as requirements for administrative and professional services sectors.

2.2.3 Induced employment

The wage spending of BAE Systems' employees and workers employed in the Company's supply chain supported the employment of 49,400 workers in FTE terms in 2024.[29] Sectors with the largest induced employment impacts include consumer-facing sectors such as retail and wholesale trade, as well as the accommodation and food sectors (Fig. 12).

■ CONTRIBUTION TO UK EMPLOYMENT

320

UK jobs supported for every 100 jobs at BAE Systems

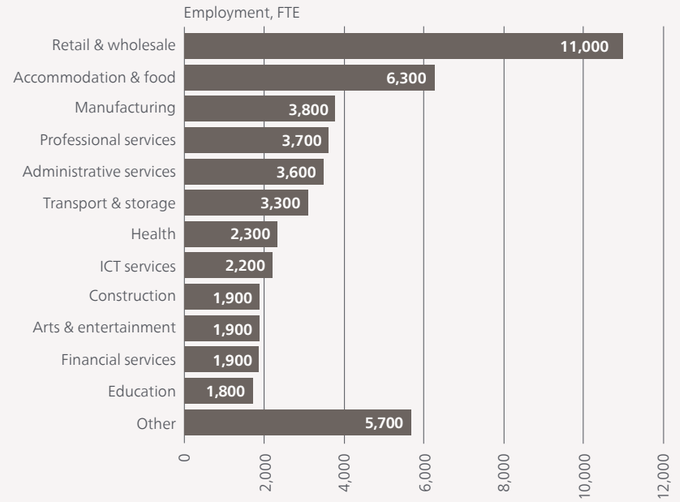


Fig. 12. Sectoral breakdown of induced employment supported by BAE Systems, 2024. Totals may not sum due to rounding.

[26] Average UK productivity calculated as 2024 UK whole economy GVA divided by 2024 UK whole economy productivity jobs.
[27] Department for Education, Top apprenticeship employers celebrated, August 2024.
[28] See pages 12 and 13 and Appendix B for more details on Oxford Economics' economic impact modelling.
[29] Ibid.

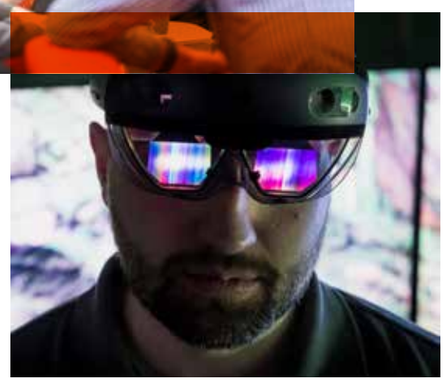
2. Economic impact

2.3 Tax impacts

The economic activity supported by BAE Systems helps to generate tax revenue for the UK Government. This includes the direct tax contributions which the Company itself pays, indirect tax contributions supported by its supply chain spending and induced tax contributions supported through employees and supply chain workers spending their money with consumer-facing businesses.

■ DIRECT TAX CONTRIBUTION

£1.1bn



2.3.1 Direct tax

BAE Systems directly contributed nearly £1.1bn in taxes in the UK in 2024. Nearly £900m (85%) of these taxes were related to labour in the form of income tax paid on wages, and employee and employer National Insurance contributions (NICs) (Fig.13).

The Company paid nearly £130m in corporation tax, with the remainder coming from other taxes including the Climate Change Levy and Insurance Premium tax.

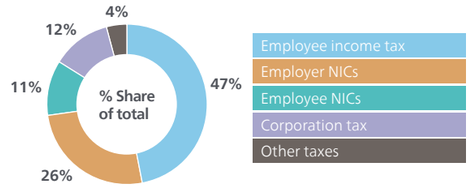


Fig. 13. BAE Systems' direct tax contribution by type, 2024.

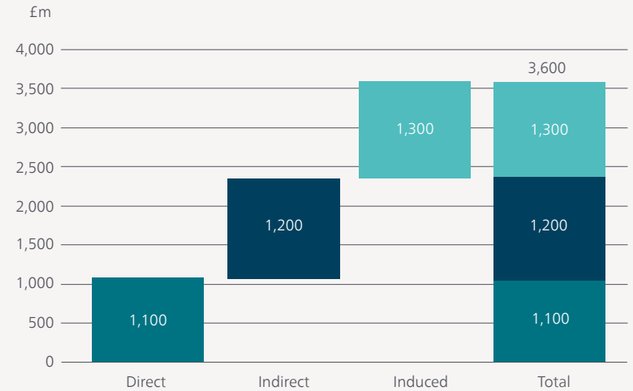


Fig. 14. BAE Systems' total tax contribution, 2024.

2.3.2 Total tax

In addition to the direct tax contributions paid by the Company itself, BAE Systems supported further tax contributions through its indirect and induced impacts. In 2024, BAE Systems' UK operations generated a total tax contribution of £3.6bn in tax revenue.

Induced tax contributions represent the majority of this impact, estimated at £1.3bn in 2024. These are the taxes paid as a result of BAE Systems' employees and workers employed in the Company's supply chain spending their wages and include VAT paid on the consumer spending.

£1.2bn in tax revenues were supported through the output stimulated by the Company's supply chain purchases. This includes income tax and National Insurance contributions paid on employee wages and corporation taxes paid by businesses in BAE Systems' supply chains.

2. Economic impact

2.4 Capital investments

BAE Systems makes important contributions to the UK economy through substantial capital investments, supporting growth of the Company and its ability to deliver on new orders for defence programmes and technologies for government. Capital investment boosts the total capital stock of the economy, providing extra or improved equipment for workers to use and raising worker productivity. In the UK, BAE Systems contributed to this source of long-term growth potential with capital investments of £495m in 2024 and a total of £1.6bn in nominal terms over the past five years (Fig. 15).

Examples of BAE Systems' capital investments announced in 2024 include a £220m investment in expanding and upgrading the Company's facilities in Rochester to create an advanced aerospace technology factory. The expanded site will encompass more than 32,000m^2 of combined manufacturing, engineering and office space, offering a more efficient and sustainable facility for the Electronic Systems business and accelerating the delivery of new helmet-mounted display systems for military pilots.

In recent years the Company has invested in new facilities across its munitions sites, in addition to establishing a new artillery development and production facility at Sheffield. More information about the Company's investments in munitions manufacturing capabilities can be found on page 23.

More than £1bn has been invested since July 2013 in BAE Systems shipyard facilities in Barrow-in-Furness in Cumbria, to support construction of the UK's new Dreadnought submarines. The keel was laid on the first of four Dreadnought Class ballistic missile submarines in March 2025, with the submarines expected to enter service in the early 2030s. Find more information on the Company's investments in Barrow-in-Furness in the case study on page 16.

In Glasgow, the Company recently completed a £12m capital investment into its Applied Shipbuilding Academy. The new training facility opened in September 2024 to provide a hands-on training environment that immerses employees in realistic ship mock-ups. The investment in the Academy is part of BAE Systems' overall £300m investment into its facilities at the Scotstoun and Govan shipyards, to support delivery of eight Type 26 frigates for the Royal Navy and to meet the UK's future requirements for new warships. Find more information on the Company's investments in shipbuilding in Glasgow in the case study on page 51.

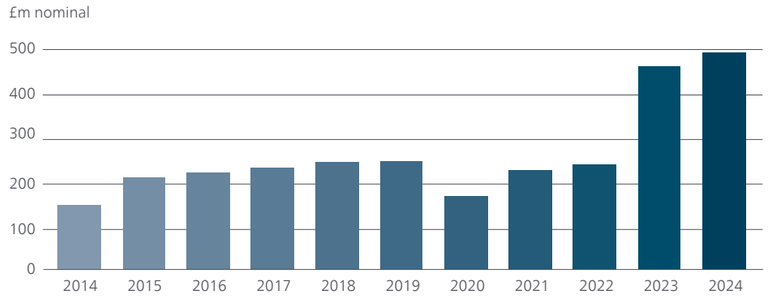


Fig. 15. Capital investment by BAE Systems

Building resilience in the supply of UK ammunition and weapon systems

The UK Government's Strategic Defence Review published in June 2025 recommended creating an "always on" munitions production capacity in the UK, allowing production to be scaled up at speed if needed. As a critical supplier of munitions to the Ministry of Defence, in the last few years BAE Systems has been developing its UK munitions facilities and technologies to support this increased capacity requirement.

In addition to a £2.4bn 15-year munitions agreement with the Ministry of Defence signed in 2020, in 2023, the Company received £410m of additional ammunition orders from the Ministry of Defence. The delivery of these orders has required significant investments to accelerate manufacturing capability at Glascoed in Wales, Washington in Tyne & Wear and Radway Green in Cheshire.

When construction is complete of a new melt-cast facility at its Glascoed factory in South Wales, BAE Systems will be able to deliver up to a 16-fold increase in production of 155mm shells than it does today. A new 155mm shell production line is under development at the Washington site in Tyne & Wear, and production lines for 30mm ammunition are being reinstated at both the Washington and Glascoed sites. An allocation of £20m was made to increase small arms rounds manufacturing at Radway Green.

The Company is also exploring novel manufacturing methods as part of an £8.5m programme, developing next-generation propellants and explosives. The new methods will use a continuous flow approach and remove the need for nitrocellulose and nitroglycerine, which are high in demand across global supply chains, in propellant production. The Company anticipates that it will be able to produce sufficient explosives and propellants in the UK to meet Ministry of Defence and export requirements, with the initial phase of industrial capacity expected by the end of 2026.

BAE Systems will also continue to invest in research and development on new products, including Next Generation Adaptable Ammunition. This concept is designed to be modular, allowing users to customise their munitions based on their requirements. Options include high explosives, smoke screens, or battlefield illumination. This is aimed at reducing costs and allowing for increased flexibility from a smaller inventory of ammunition.[30]

Finally, in an important development for the defence industry in the North East of England, in June 2025, the Secretary of State for Defence officially opened a landmark £25m BAE Systems artillery factory in Sheffield. The factory will create 200 new highly skilled jobs and support more than 60 businesses across its UK supply chain.

Initially, the factory will deliver the Company's M777 lightweight towed howitzer manufacturing capability, as part of a $162m contract with the US Army, and will have the capacity to expand production lines and evolve to develop and produce a range of combat systems. The M777 is in service with ground forces in the US, Ukraine, Canada, Australia and India, supporting export demand for this product.

[30] BAE Systems, Annual Report 2024, page 23.

2. Economic impact

2.5 Exports

BAE Systems helped to boost UK GDP in 2024 through export sales. Overseas sales of UK defence and security products and services as part of government-to-government programmes are particularly important for the defence, aerospace and security sectors. This is because they provide an extra return for the UK economy on the initial development cost of large and complex maritime, air and other projects — much of which is funded by the government. The Eurofighter Typhoon aircraft for example, is one of the most successful UK defence programmes, bringing export sales worth double the £12bn invested by the UK Government, with the potential for more to come.[31] Defence exports can also foster international cooperation between countries, helping strengthen strategic alliances.

In 2024, BAE Systems exported a total of £3.6bn worth of products and services from the UK. As the Company imported £1.2bn of inputs in its procurement spending, this resulted in a total £2.4bn contribution to the UK's net exports.

Two-thirds of these exports were relatively evenly split between customers in the Americas and in the Middle East. A large share of sales to the Middle East related to exports of Typhoon jets, while exports to the Americas included rear fuselage and empennage for the F-35 combat aircraft.

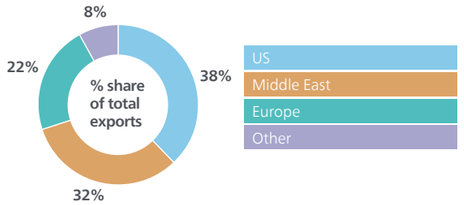
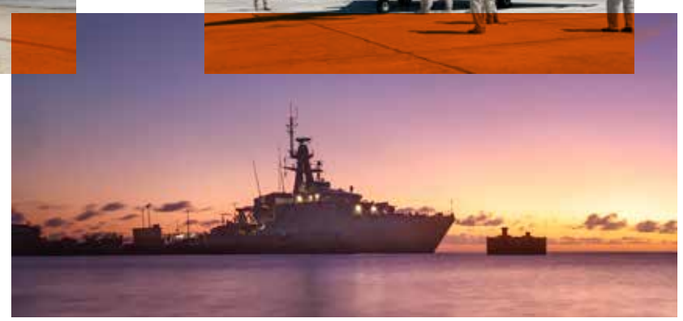


Fig. 16. BAE Systems exports by destination, 2024.

A further 22% of exports were made to Europe. The remainder of BAE Systems' export revenue is split between other countries, including Japan and Australia. In Australia, the Company is set to help the country acquire its first nuclear-powered submarines through the AUKUS trilateral military partnership, announced in 2023 between Australia, the UK and the US.

The Company has entered arrangements for future programmes of work with a number of the UK's allies, including those involved in the Global Combat Air Programme (GCAP), read more in the case study on page 25. In a further development for the Global Combat Ship programme, the Company signed a contract with Irving Shipbuilding Inc in March 2025 for the next phase of Canada's River-class destroyer programme. In April 2025, BAE Systems signed a Memorandum of Understanding with Repkon USA to collaborate on the development and manufacture of advanced munitions.

BAE Systems has also invested to develop the export offering from its munitions business as it increases its domestic capabilities to support up to a sixteen-fold increase in munitions domestic capacities. Since 2022 the Company has invested more than £150m in its munitions facilities, including a new production line at Washington, Tyne & Wear, and an explosives filling facility at Glascoed. The Company has also invested a further £8.5m in developing new production techniques for propellants and explosives. See page 23 for more information about these investments.



■ INITIAL UK GOVERNMENT INVESTMENT DOUBLED

£24bn

delivered by Typhoon export sales

GCAP agreement builds defence and industrial cooperation

The Global Combat Air Programme is a strategically important partnership, bringing together the governments of the UK, Italy, and Japan, and their respective industries, to collaborate on shared military and industrial objectives in the delivery of a next generation combat air capability.

In December 2024, BAE Systems (UK), Leonardo (Italy) and Japan Aircraft Industrial Enhancement Co Ltd (JAIEC) reached a landmark agreement to establish a new joint venture for the GCAP. This agreement built on the strong trilateral government, defence, and industrial cooperation between the UK, Japan, and Italy on GCAP since it was established in December 2022.

In June 2025, the partners announced the creation of Edgewing, the new joint venture company with each partner holding a 33.3% shareholding. Edgewing brings together the combined strengths and expertise of three leading companies and will mark a pivotal moment for the international aerospace and defence industry.

By fostering close collaboration between industries and governments, GCAP is a cornerstone of strategic defence and security partnerships and will deliver the capability to defeat the future threats of 2040+.

2.6 Supply chain management

As the UK's largest defence supplier, the Company plays an important role in helping to manage the UK's defence engineering and manufacturing supply chain. BAE Systems draws on a diverse supply chain including companies of all sizes across the UK, spending £5.8bn with 5,800 UK companies in 2024. The Company undertakes extensive supply chain management activities as part of its procurement responsibilities, including securing long-term relationships with critical suppliers, providing guidance to help suppliers identify technology, productivity and skills improvements, and addressing risks to their businesses and to programme supply.

BAE Systems fosters collaboration between suppliers and universities across the UK, helping to bring together expertise from across its customer communities, the defence and security industries and academia. Closer integration between the supply chain and research helps drive British innovation by accelerating the development of new technologies, bringing new defence capabilities to deployment earlier. Analysis of the Company's spend with suppliers on a regional basis is described in Chapter 5 and a breakdown of spend is included in Appendix A.

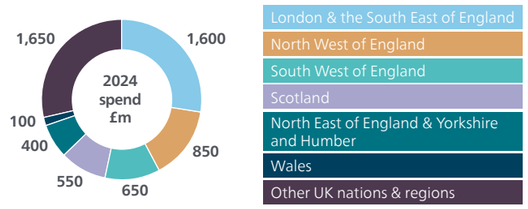


Fig. 17: BAE Systems procurement spending by region, 2024.

[31] PwC, Industrial and Economic Impact of the Eurofighter Programme.

3. Technology development and innovation

Research and development (R&D) drives innovation, which is an important contributor to long-term economic prosperity and competitiveness.

As well as creating defence and security products for use by the UK and its allies today, the Company invests in longer-term R&D and works extensively with a network of universities and SMEs. Advances in new and emerging technologies like quantum sensing, uncrewed technologies and munitions are vital for boosting the UK's military capabilities.

Manufacturing innovations can also improve the Company's own production efficiencies and reduce costs to the taxpayer. Other innovations can lead to environmental improvements for employees, such as the installation of new ventilation systems for welders on ships.

This chapter discusses the ways in which BAE Systems helps to bring benefits to the UK's economy and society through its R&D spending and technological developments.

3.1 Managing R&D investments

The UK Government's industrial strategy, Invest 2035, was published in November 2024 and recognised defence as a key growth-driving sector.[32] BAE Systems helps to contribute to this goal through the R&D it manages— in 2024, the Company self-funded over £120m of research work in the UK. The Company is also a significant long-term partner for the government in carrying out publicly funded research and, in 2024, delivered nearly £1.2bn worth of research on behalf of customers such as the Ministry of Defence. In total, BAE Systems carried out £1.3bn of R&D work in 2024, amounting to £6.8bn across the five years to end of 2024 in nominal terms.

■ UK R&D DEFENCE INVESTMENT IN 2024

56%

managed by BAE Systems

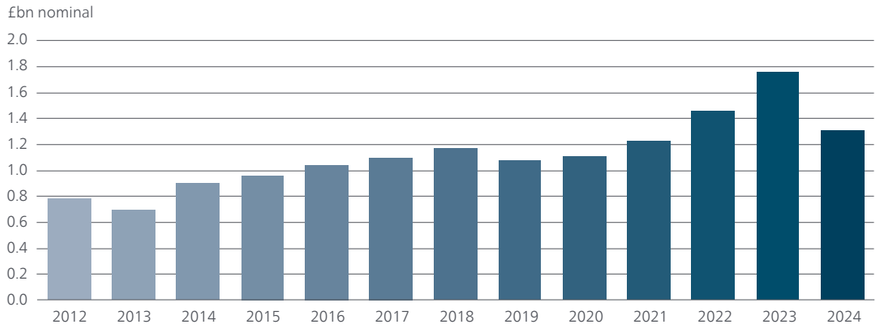


Fig. 18. Total annual value of R&D work carried out by BAE Systems

To put this R&D activity in context, the latest official data shows that around £50bn of R&D work was carried out by all UK businesses in 2023,[33] meaning BAE Systems performed 3.5% of all R&D delivered by UK businesses that year. That figure rises to 56% when considering R&D performed by UK businesses related to defence specifically.[34]

The impact of the Company's R&D work is also demonstrated by the number of patents produced.

According to the World Intellectual Property Organization, BAE Systems was the sixth highest in the UK in terms of the number of international patent applications filed in 2024.[35] This patent activity protects the Company's intellectual property and R&D in the UK, maintaining an important source of sovereign defence capabilities and expertise.

[32] Department for Business & Trade, Invest 2035: the UK's modern industrial strategy, 24 November 2024.
[33] ONS, Business Enterprise Research and Development 2023, Table 2, total for 2023
[34] Ibid., Table 6b: £3.1 billion of defence-related R&D was performed by UK businesses in 2023.
[35] World Intellectual Property Organization, PCT Top Applicants List, filtered on GB country of origin in 2024. Dataset accessed on 10 April 2025.

3.2 Accelerating critical technologies

BAE Systems' R&D work is invested in developing new technologies that help protect the UK and its allies. This includes development work to bring new technologies into the battlespace rapidly, as well as earlier stage research that lays the groundwork for ensuring the UK can maintain operational advantage over adversaries in the decades ahead.

To fulfil an immediate requirement for the Ministry of Defence, the Company is building a new wide area network known as TRINITY that from 2026 will provide troops in the British Army with a secure internet and networking capability on the battlefield.[36] If any nodes that make up the TRINITY network are damaged in battle, the rest will automatically re-route data to maintain network speed, increasing its resilience. The system will also make use of BAE Systems' NetVIPR product, which largely automates adding new equipment to share data, in the same way that a phone is added automatically to a trusted Wi-Fi network. This makes TRINITY simple to use.[37]

UK MOD © Crown copyright 2025

BAE Systems is developing autonomous technologies that operate in the air, on land and in the sea. In the maritime environment, for example, the Nautomate system can be fitted to and control a variety of surface and sub-surface vessels. The Company has so far integrated the system into its own Pacific 24 uncrewed sea boat, as well as a third-party P38 Aggressor fast interceptor boat, where it's being developed to perform tasks such as firing nets at other small craft to tangle and stop their approach. This is significant as uncrewed boats present a threat that is difficult to stop with more conventional defences. Nautomate has also been fitted to Herne, BAE Systems' extra-large autonomous underwater vehicle. Read more about this programme on page 33.

Digital specialists protect UK borders, infrastructure and people

To help protect the UK against emerging threats, BAE Systems Digital Intelligence is working with customers across UK Government on issues such as data collection and risk analysis. The business has approximately 4,300 employees across 12 sites in England and works in areas of defence as well as with customers in healthcare, border protection and critical national infrastructure.

One example is SeaCAT, a Digital Intelligence customer project, which focused on addressing the volume and scope of child sexual offences. SeaCAT's three-pronged automated solution is reducing analyst exposure to child sexual abuse materials (CSAM), while forming a more proactive defence against would-be offenders. The system includes an automated platform which scans tens of thousands of websites daily for CSAM and monitors users' welfare by tracking their exposure to distressing content. In the first 18 months of operation, the system is estimated by the UK Government to have saved nine months of analyst time.

An AI driven analysis tool created by Digital Intelligence called Intelligent Lead Assessment Service (ILAS), has enabled specialist analysts to work with UK police forces to more effectively analyse data to protect vulnerable children and find criminal activity. ILAS cross references new data against existing databases freeing up analysts' time so they can work more efficiently on the highest priority cases.

BAE Systems has also contributed to the 2025 UK Border Strategy through Cerberus, a risk analytics programme. The programme brings together data from the Home Office, wider government and industry to provide real-time risk assessment on the cross-border movement of people and freight. By consolidating this information for Border Force officers, the programme enables more time to be spent on decision-making than information gathering. In one year of operation, the programme has been estimated to help the Home Office identify nearly £350m in undeclared excise duty revenues and seize over 15,000 firearms and weapons and 23 tonnes of Class A and B drugs at the border.

A further example is BAE Systems' work with National Highways to tackle cyber threats to critical national infrastructure in the UK. Protecting National Highways' computer systems that control the UK's road network aims to prevent malicious attacks on road traffic management and communication systems. BAE Systems is also working on providing analysis showing how the cyber landscape is expected to change in the coming years. This will show how National Highways can continue to provide a safe road network while adapting to new digital challenges, such as the integration of autonomous road vehicles.

[36] British Army, Boost to Army's battlefield connectivity announced, May 2023.
[37] BAE Systems, Annual Report 2024, p.21.

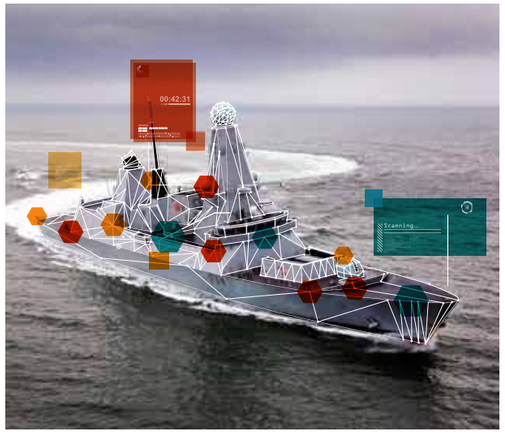
3. Technology development and innovation

3.3 Innovating for efficiency

Some of the R&D work that BAE Systems carries out has the aim of improving efficiencies within the Company's own manufacturing processes, see the case study below that describes some of these benefits.

Improvements are also delivered to customers' operations. BAE Systems' Prophesea system is used to boost the efficiency of maintenance on complex defence systems and assets such as naval ships. The ships contain hundreds of thousands of components, each with different technical documentation and maintenance requirements. Prophesea integrates data to give 360° visibility of the asset, enabling better and faster decision-making and more efficient maintenance. This helps increase the ship's availability and reduces costs.

In developing technologies that more directly and immediately benefit the public, innovations developed by the Company's Digital Intelligence business support agencies at the UK borders and in managing child safety online. Read more in the case study on page 27.



Manufacturing methods deliver efficiencies

The UK Government highlighted in late 2024 the need for cutting-edge manufacturing in the defence sector while at the same time reducing waste in the procurement process.[38] To help achieve these aims, BAE Systems is funding new manufacturing processes that are both more time and cost efficient than traditional ones. For instance, the Company has introduced 3D printing to support a broad range of requirements from new product development and prototyping right through to spares and repairs. By automating routine and repeatable aspects of the job like this, operators can focus on other tasks and priorities.

BAE Systems is also funding new techniques to improve processes in other areas, such as researching the use of AI to assist Typhoon aircraft maintenance engineers. BAE Systems has collaborated with Microsoft to train a large language model (LLM) using Typhoon maintenance manuals, so that it can offer relevant and easily understandable answers to engineers' questions. The aim is to enable crews to respond faster and more efficiently to customer queries and provide more targeted support.

Applications of AI are enabling other production efficiencies across the Company. In a partnership with Manchester-based Digica AI, BAE Systems combined cutting-edge AI and operators' expertise to optimise the heating process of carbon fibre parts used for aircraft components. To get the best performance in aircraft, the temperature and duration of the heating process needs to be carefully controlled.

Use of data has also improved efficiency at BAE Systems' Radway Green small arms ammunition facility in Cheshire. Here, machinery has been fitted with monitoring devices collecting data on each part of the manufacturing process.[39]

[38] UK Ministry of Defence, Defence Industrial Strategy – Statement of Intent, December 2024.
[39] BAE Systems, Innovators Report 2023, p.30.

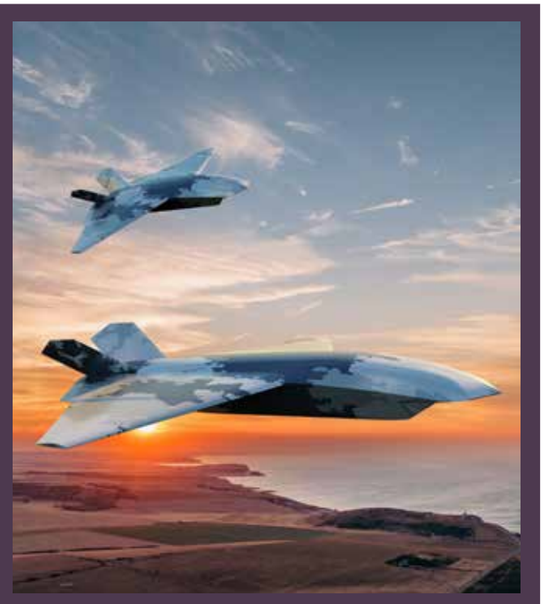
Uncrewed air technologies offer new security advantages

Developments in automation, autonomy and artificial intelligence mean there is increasing opportunity to use uncrewed vehicles in defence to keep personnel out of harm's way, as well as collecting and analysing data autonomously. These new innovations also help to create new capabilities or provide them at a lower cost than more traditional technologies, such as crewed vehicles.

Through its FalconWorks organisation, BAE Systems Air is developing and investing in new products that integrate emerging and disruptive military aircraft technologies. These technologies include advanced robotics, artificial intelligence, capabilities to work securely in the cloud, and to design and build at pace and at scale to provide customers with a critical edge. FalconWorks is driving the development of uncrewed systems capabilities to meet national and international defence and security requirements with an ever-expanding range of uncrewed air systems (UAS).

A key programme in FalconWorks is the PHASA-35 uncrewed air system, created by the Hampshire-based subsidiary Prismatic Ltd. PHASA-35 is set to offer an alternative to satellite technology for use in applications such as surveillance and communication, in both the military and commercial markets. Trials in late 2024 saw the aircraft cruising to the stratosphere and remaining airborne for 24 hours before successfully landing, ready to be relaunched in just two days. PHASA-35 offers new capabilities: it is designed to provide fast data transmisson and be easier to maintain and upgrade than satellites. PHASA-35 is designed to offer a persistent eye in the sky for up to several months at a time, unlike traditional aircraft which have limited duration and higher costs of operation.

In early 2024, BAE Systems acquired Malloy Aeronautics, an SME that designs and supplies electric heavy lift UAS for both civil and military customers. Its rotary-based UAS can carry payloads of between 68kg-200kg, and target payloads of up to 300kg, offering capabilities such as logistics and surveillance. Teams are actively exploring other uses, such as casualty evacuation and anti-submarine warfare. The all-electric Vertical Take off and Landing (eVTOL) UAS does not require a runway, and can offer logistics platforms to undertake the dull, dirty and dangerous tasks that would otherwise be undertaken by manned aircraft. Malloy's UAS can provide users with new and more cost-effective options than existing craft, such as full-size helicopters or larger fixed-wing Uncrewed Aerial Vehicles and are easier to maintain and operate as well as requiring reduced training and through-life costs. In 2023, a joint BAE Systems and Malloy Aeronautics team developed a T-600 electric quadcopter and released an inert version of BAE Systems' Sting Ray anti-submarine torpedo at sea for the first time in September of that year as part of a NATO exercise in Portugal. The T-150 UAS is already in service with the US Marine Corps and the UK Royal Navy and is currently deployed as part of the UK Carrier Strike Group 2025. The UAS are being use to move supplies such as defence equipment, food and packages between UK Carrier Strike Group ships, freeing up helicopters that were previously used for carrying out this work.[40]



[40] BAE Systems, Innovators report 2024, p.32

3. Technology development and innovation

3.4 University partnerships

To help deliver BAE Systems' R&D efforts, the Company works in close partnership with expert scientists and engineers at universities around the country to help develop critical technologies and skills for UK defence. The Company spent £25m on research at universities in the UK in 2024, including nearly £13m with six strategic partner universities with whom the Company has a particularly close working relationship. This included the universities of Birmingham, Manchester, Nottingham, Southampton, Strathclyde and Cranfield. These strategic university partnerships focus on developing centres of excellence with specialist skills in areas such as nano technology and quantum mechanics.

For instance, BAE Systems has been working with Cranfield University to develop an AI-Driven Tactics capability which, when coupled with a simulation of a jet fighter, can beat human pilots in simulated dogfights even when the AI is in a significantly lower-performance aircraft than the pilot. This capability provides the opportunity to deliver more effective pilot training in the UK, and to evolve the technologies needed to develop smart 'co-pilots' for the cockpits of future aircraft. The same capability can be applied to other land and sea vehicles that need to perform pursuit or evasion tactics. BAE Systems has a long history with Cranfield University focused on applied AI and autonomy, including setting up a specialist Applied AI MSc course.

In developing advanced manufacturing technologies, the Company has worked with the University of Sheffield Advanced Manufacturing Research Centre (AMRC) on a long-term basis, spending £4.3m in 2024. Innovations developed in partnership with AMRC to date include a suite of digital technologies for future fast jet support, such as applying data visualisation, automation and digital inspection techniques to improve efficiency and reduce costs of fighter jet maintenance.[42]

These university partnerships can also help support innovations for civilian technologies in other sectors of the economy. For example, the Company has been involved in quantum sensing and timing research projects with the University of Birmingham, primarily looking at quantum-enabled radar. The University is also developing ground sensors for use in the construction industry, which should soon allow surveyors to map underground sites without digging.

In addition to research programmes, BAE Systems partners with the broader research community through the European Physical Sciences Research Centre and UK Research & Innovation to mentor and support students. By the end of 2025, the Company will have sponsored nearly 80 PhD students at its strategic partner universities and each year recognises the efforts of one outstanding student. In 2024, Ellis Archer from the University of Southampton's Optoelectronics Research Centre won the award for his work on infra-red transmitting glasses, researching materials that allow both infra-red and visible light to pass through. Future applications of this technology could enable significant efficiency savings by reducing the number of cameras required to detect visual and infra-red-light wavelengths.

[41] AMRC, AMRC co-pilots Future Air Support with BAE Systems, 19 April 2023.
[42] BAE Systems, Innovators Report 2024, p.56.

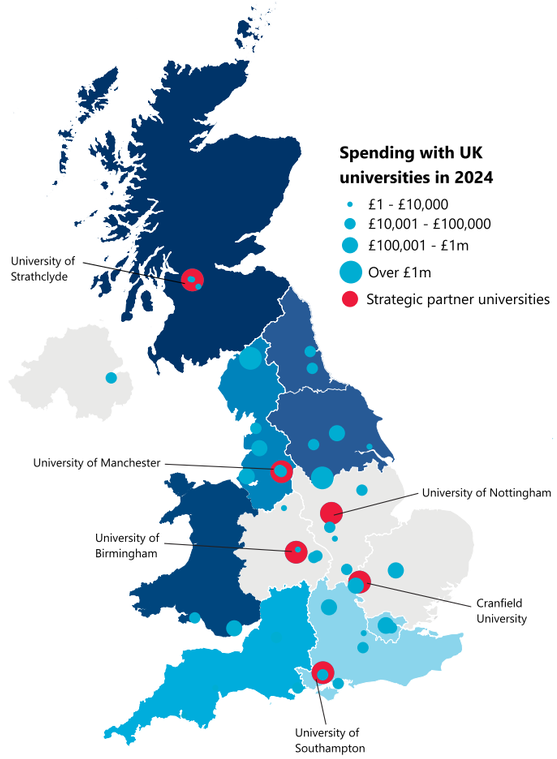


Fig. 19. BAE Systems spending with UK universities, 2024.

■ R&D SPEND WITH UK UNIVERSITIES

£25m

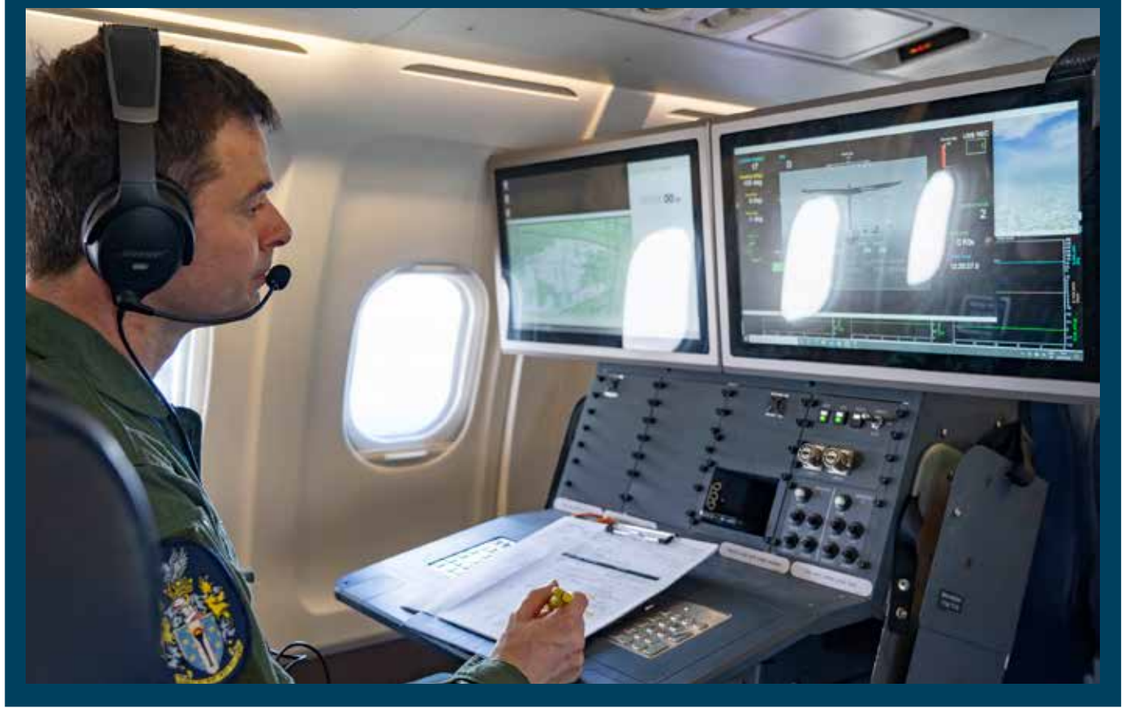
Delivering quantum leaps in UK R&D

Technology clusters, where large industrial companies collaborate with SMEs, universities, research organisations — and even government departments — have the potential to provide notable benefits to innovation. This close collaboration means that large companies, start-ups and SMEs can exchange knowledge of the latest cutting-edge technological developments for mutual benefit. Often SMEs can benefit from the larger organisation's resources, funding and access to other technology organisations. Academics and research students can lend their expertise in detailed areas, while close communication with government departments can mean a better understanding of customer requirements for commercial organisations, particularly of the operational challenges faced by defence and security customers.

As a major defence contractor, BAE Systems plays a key role in underpinning technology clusters across the UK's defence and security ecosystem, helping to boost the country's R&D capabilities.

A key example is BAE Systems' research into the potential defence and security applications of quantum sensing and encryption. The Company is working with researchers from the University of Birmingham on applications of quantum sensing and timing, the University of Strathclyde and the University of Glasgow on quantum imaging and the University of York on quantum key distribution in communications.[39] While many of these technologies are currently at early stages, quantum sensing research through the Project MISTIQUE collaboration with the University of Birmingham is the closest to being commercialised. This work is intended to support more accurate and resilient position, navigation and timing capabilities, which are technologies that underpin satellite navigation systems.

The Company is also working with the Oxford-based SME, Infleqtion, to develop and test a new form of navigation system based on quantum technology. As part of a wider collaboration with UK industry, Infleqtion has turned a lab-based physics experiment into a physical piece of equipment that took part in its first test flight in early 2024. BAE Systems' quantum experts worked with Infleqtion to prepare for the rigours of a flight environment and funded the test flight itself, which was carried out by UK defence technology company QinetiQ. The technology is based on a fifth state of matter known as a Bose-Einstein condensate. This is extremely fragile to create but could be used to create navigation systems that cannot be jammed, as an alternative to GPS systems that could be easily compromised. Infleqtion notes that the collaboration with BAE Systems has helped it to develop its technology at a faster pace and demonstrate a credible pathway for it to enter the real-world environment.



[43] Quantum imaging helps to produce imaging systems with better resolution than cameras and microsopes. Quantum timing and sensing collects atomic-level data to measure changes in motion and fields. Quantum key distribution creates more secure communication channels without the threat of interception.

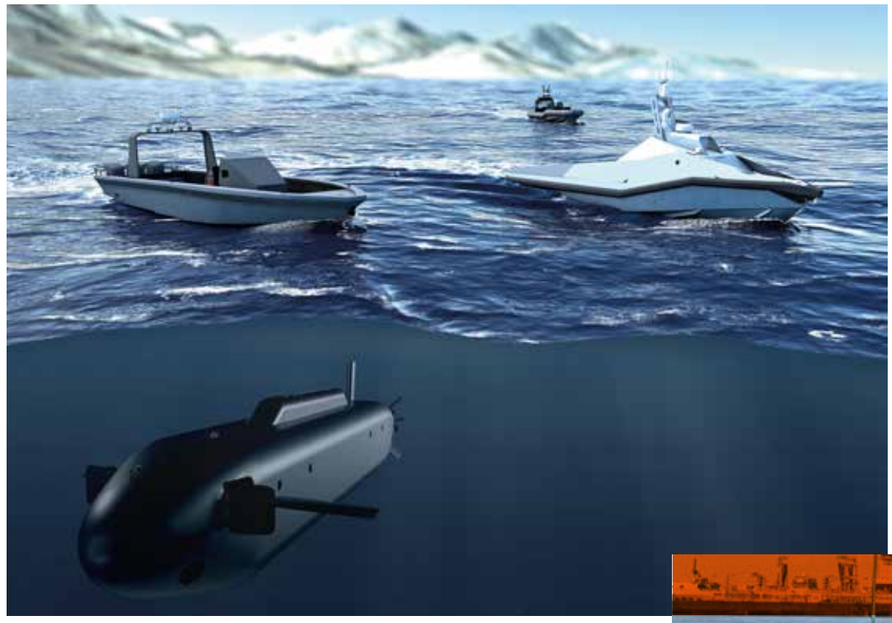
3. Technology development and innovation

3.5 Collaborations with start-ups and SMEs

In addition to direct spending on R&D within the Company and with academic partners, BAE Systems delivers a large amount of development work in partnership with SMEs. These organisations are often at the forefront of advancements in critical technologies such as AI, advanced manufacturing and cyber security. However, SMEs often need more support in developing their technologies into usable products — especially in the highly specialised defence sector — as well as scaling production to meet customer demand. BAE Systems can provide partner SMEs with financial support, resources and understanding of customers' operational requirements in defence, accelerating the development of new defence technologies. One example is the Company's work with Poole-based SME Sentinel Unmanned to develop the Longreach70 uncrewed air system. Able to stay airborne for eight hours, this lightweight helicopter drone can be used in roles such as taking photographs, carrying supplies or designating targets with a laser, which helps to keep ground personnel removed from the dangerous task of designating targets manually.[44] BAE Systems helped support Sentinel Unmanned's development of this new product with funding, access to technical defence expertise and contact with armed forces customers to test the product.

Teams at Digital Intelligence have worked with SMEs to help bridge the gap between an innovative idea and a product that can pass the stringent vetting processes required by government. This included partnering with Northern Ireland-based Salt Communications to develop the SME's secure instant messaging software ready for government deployment..

[44] Sentinel Unmanned, Our Systems.



In late 2024 BAE Systems demonstrated an autonomous underwater vehicle, known as Herne, in collaboration with the SME Cellula Robotics. This extra-large autonomous underwater vehicle (XLAUV) is developed specifically for military use to monitor underwater infrastructure, support antisubmarine warfare and facilitate surveillance missions. Herne is designed to be a cost-effective product using commercial off-the-shelf components, and to have an ability to operate autonomously underwater for up to 45 days, to cover up to 5,000km[45] in range and to reach depths of up to 6,000m. This provides an opportunity to remove a sole reliance on crewed submarines, and to cover a wider area, freeing up personnel to focus on tasks where they can add most value. The XLAUV successfully demonstrated that it could follow complex navigation instructions autonomously, meaning it could be used in the future to monitor and protect critical national infrastructure such as undersea communications lines.

BAE Systems works with a wide number of suppliers across all the products and services it purchases, from large corporations to small start-ups. The Company is evolving improvements to the efficiency of the procurement systems that underpin these interactions by testing new blockchain technology. All organisations in the supply ecosystem update a single ledger, meaning no separate databases with potentially conflicting information. This has been trialled so far with large suppliers, integrating it directly into the suppliers' own systems which automatically update the blockchain whenever there is a status update, which every supplier can then see immediately. Using blockchain also helps to take away reliance on third party platforms and human exchange to securely swap information.

The Company aims to support start-ups and SMEs to enter the defence market through supporting events such as Future Forces Day. This conference provides the opportunity for small companies to demonstrate their technologies to large defence contractors, with the aim of facilitating contracts between small and large companies.

■ MONITORING ABILITIES OF HERNE XLAUV

5,000km

range and up to 6,000m depth[45]

[45] Cellula Robotics Ltd

4. Investing in people and communities

Alongside BAE Systems' economic contributions to UK GDP and employment each year, the Company also generates positive social impacts in the communities where its employees live and work. In addition to spending on community development and charitable activities, the Company invests significantly in defence-related skills, with a total projected investment of £1bn in education and training across the UK between 2020 and 2025. Investing in people helps the UK to develop and maintain critical sovereign defence capabilities, while delivering a positive impact in communities.

■ INVESTMENT IN EDUCATION AND SKILLS

£1bn

projected spend from 2020 to end of 2025

4.1 Skills

In 2024, BAE Systems invested a total of £230m on skills development. This included training across all staff grades, as well as investing in education outreach and promoting STEM.

The majority of this spending in skills was directed towards the training and development of early-careers staff, including £150m on apprenticeships and £49m in graduate schemes and supporting summer internships and industrial placement years for undergraduate students. Find more information about BAE Systems' opportunities for young people in the case study on page 36.

To deliver a programme of lifelong learning for all employees the Company offers a blend of virtual and physical training courses, which can be tailored to meet individual needs. See the case study on page 35.

The importance of sovereign defence and security skills

Operational independence, or the ability to conduct and sustain military operations without reliance on other countries, is central to the United Kingdom's commitment to use the armed forces to support its global defence responsibilities.[46] This independence is in turn supported by Ministry of Defence procurement decisions, which has options ranging from sovereign development and production within UK borders, through to working in partnership with allies or importing existing equipment off the shelf.

For some elements of defence procurement, national security restrictions create a strategic imperative for maintaining the capability entirely within UK borders, including cryptography, offensive cyber operations and nuclear warheads, as well as the submarines that support the Continuous At Sea Deterrent. UK governments have also sought to maintain onshore capabilities in the most significant aspects of the production of combat air and maritime platforms, as well as munitions and complex weapons such as guided missiles.

Maintaining the UK's sovereign capabilities in these areas relies on sustaining a base of scientific, technological, engineering and manufacturing capability in the national workforce. This is known as the defence industrial base. The UK is one of only a few countries around the world with the capability to design, develop and maintain its own combat aircraft, thanks to long term investment in the sovereign capability and the UK industrial base. It's a national asset that enables the UK to export. In 2023, the UK's defence supply chain employed an estimated 164,000 workers.[47] In that year BAE Systems employed 45,700 of these workers,[48] including in areas such as designing, developing, building and maintaining the latest-generation fighter jets, submarines, warships and munitions. Ongoing activity in these strategically important sectors helps to ensure that the UK maintains and builds necessary skillsets. Previous analysis has shown that when workers exit a defence business, the vast majority are lost to the sector as a whole, meaning that without government sponsorship, defence skills are depleted when left to the free market.[49]

[46] Ministry of Defence, Defence and Security Industrial Strategy, 2021.
[47] ADS, Defence Sector UK Outlook 2024, June 2024, p.7.
[48] BAE Systems, Annual Report 2023, p.2.
[49] Royal United Services Institute, Defence Skills: A shift in the myth, pp.12

Committed to lifelong learning

BAE Systems invests in the development of its current and future workforce through a programme of education and training. This activity begins by working closely with schools to outline career opportunities in STEM for young people, making a particular effort to reach those from disadvantaged backgrounds.

BAE Systems' flagship education outreach programme is its nationwide STEM Schools Roadshow. Working alongside the Royal Navy and Royal Air Force, BAE Systems provides an annual interactive theatre show designed to specifically meet the needs of the national curriculum, which has engaged over 1.3m students between the ages of nine and 14 since 2005.

The Company's local education services teams engage with over 150,000 young people annually, with an objective that 20% of the schools visited are in lower socio-economic areas. 2,000 BAE Systems employees are STEM Ambassadors, supporting science teaching and sharing their career stories with students—in 2024, the Company's employees spent over 23,800 hours engaging young people in STEM activities. These initiatives offer students opportunities to develop skills useful for their future careers, while also benefitting BAE Systems by building connections with future talent.

BAE Systems also promotes lifelong learning for its employees through its skills academies in the UK. In 2016, the Company opened the Academy for Skills and Knowledge in Lancashire, followed by the Submarine Academy in Cumbria in 2018. In 2024, BAE Systems built the Applied Shipbuilding Academy in Glasgow to enhance the development of skills for employees at all positions across the shipbuilding business. The Company's Digital Skills Academy delivers specialist programmes in areas such as cyber, artificial intelligence, data and software. In 2024, the academy helped over 3,000 learners develop their digital skills.[50] Going forward, the Company plans to expand the delivery of the Digital Skills Academy in the UK and internationally to promote growth and innovation.

[50] BAE Systems, Annual Report 2024.

4. Investing in people and communities

4.2 Tackling economic inequality

By creating opportunities for employment and career progression across the country, BAE Systems supports social mobility in the UK. As discussed in Chapter 2, BAE Systems has a broad economic footprint across the UK. This impact extends into the more deprived areas of the nation, helping to support economic activity, wellbeing and jobs. One highly successful partnership programme through which BAE Systems has helped address youth unemployment is Movement to Work. Find more information in the case study below.

In 2024, BAE Systems had 20,800 direct employees who lived in the most deprived fifth of local authority districts in the UK.[51] This is equivalent to 42% of BAE Systems' total UK workforce, meaning its employment disproportionately benefits some of the UK's most deprived communities.

BAE Systems spent nearly £1.3bn on supply chain purchases with businesses based in the UK's most deprived local authorities in 2024. For instance, the Company invested £70m with suppliers in Birmingham, England's seventh most deprived local authority district, and £100m with suppliers based in Glasgow City, Scotland's second most deprived local authority district. Some of the other most deprived areas where BAE Systems spent the most with suppliers included Barrow-in-Furness, Salford in Manchester and the Wirral outside Liverpool.

Delivering opportunity for thousands of young people

Investment by BAE Systems in skills, learning and education is expected to reach over £1bn in 2025 since the start of the decade.

This spend includes the Company's apprenticeship programmes, which provide education and on-the-job training open to those leaving school with lower GCSEs or Scottish National 4s, with 90% of the apprentices aged under 24. The programmes teach trade skills such as welding, pipefitting and electrical fitting, each of which is scarce in the open market yet are vital for engineering and manufacturing work in the defence sector.[52]

In 2024, BAE Systems recruited over 1,260 apprentices, taking the total number in training at the end of that year to 4,650, the highest in the Company's history. The scheme offers a route to boosting social mobility for young people, with 30% of the 2024 intake coming from the five most deprived areas in the country. Over two-thirds of the apprentices are in Intermediate and advanced apprenticeships, equivalent to higher GCSEs and A Levels respectively, and will go on to work on some of the UK's most technology advanced engineering and manufacturing programmes, such as the Dreadnought class of submarines. The Company plans to recruit a further 1,300 apprentices in 2025 and is ranked sixth in the Department for Education's Top 100 Apprenticeship Employers.[53]

BAE Systems also helps tackle youth unemployment and addresses social mobility by offering work experience opportunities through the Movement to Work scheme to those who are struggling to find employment due to lack of experience and qualifications. BAE Systems was a founding member of the initiative in 2014 and invests £160,000 annually in supporting the Movement. In the last 10 years nearly 1,000 young people have begun a placement at the Company, with around one third of those moving on to permanent internal roles.

[51] Based on employment data from BAE Systems and on deprivation in local areas from the national governments of each UK country.
[52] Engineering Construction Industry Association, Addressing skilled labour workforce shortages in the UK, 2024.
[53] Department for Education, Top apprenticeship employers celebrated, August 2024.

Alongside its core business operations and employment in these areas, the Company works directly with local authorities and community groups to regenerate regional economies by supporting infrastructure and social regeneration projects. As part of Team Barrow, BAE Systems has partnered with the UK Government and Westmorland and Furness Council to boost economic activity and wellbeing in the town. This partnership is explored in greater detail in the case study on page 16.

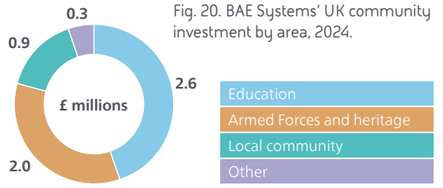
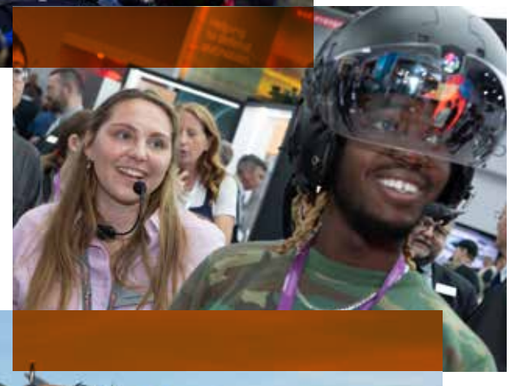


Fig. 20. BAE Systems' UK community investment by area, 2024.

4.3 Community and heritage investment

BAE Systems gives money and resources each year to local community organisations and charities through its community investment and heritage programme. In 2024, the Company contributed nearly £5.8m to UK community organisations including £1.7m worth of employee volunteering time, equating to more than 36,000 hours.



The main areas of focus for the Company in this area are:

- **Supporting the armed forces community**. This includes BAE Systems' commitment to the UK Government's Armed Forces Covenant that began in 2013. Detailed information about BAE Systems' support for the armed forces community and personnel leaving the armed forces can be found in the case study on page 39.
- **Skills and educational outreach**. This activity is focused on encouraging schoolchildren to study STEM subjects and raising awareness of the opportunities of STEM-related careers. A key project in this area is the Schools STEM Roadshow, discussed in the case study on page 35.
- **Supporting local communities** through working with local organisations to achieve better social outcomes in the communities where the Company operates and beyond. This includes projects such as a £144,000 donation to the Warton-based youth wellbeing charity Streetwise in 2024, enabling the organisation to extend its opening hours and improve facilities at its community centre in Lancashire, as well as launch a new STEM enrichment programme for young people.
- **Protecting the nation's military, defence and engineering heritage** through partnerships with museums, heritage collections and other related institutions. Heritage activities in 2024 focused on commemorating D-Day 80, marking 80 years since the launch of D-Day, or Operation Overlord, in Normandy. More than 60 types of aircraft, equipment and individual vessels used by the allied forces in Operation Overlord were designed, manufactured and developed by BAE Systems' predecessor firms. In 2024 BAE Systems provided funds to the Royal Museum Greenwich to assist conservation work on the Altazimuth Pavilion, home of the Annie Maunder telescope, so the telescope can continue to be used for science and public engagement projects. The Company also continued its long-term sponsorship of the RAF's Battle of Britain Memorial Flight.

4. Investing in people and communities

4.4 Employee volunteering

BAE Systems also supports communities where the Company operates through employee volunteering. In 2024, employees at the Company contributed just over 36,000 hours to a range of initiatives, equating to nearly £1.7m in the value of volunteer time.

Support for the UK's armed forces community included employee volunteering at Kings Cross railway station for London Poppy Day. BAE Systems' employees also helped to complete an art installation at the British Normandy Memorial in France as part of the Standing with Giants project, commemorating the 1,475 servicemen who lost their lives during D-Day operations.

In addition, as part of the Company's commitment to the UK Armed Forces Covenant, we support the work of circa 150 reservists across the business and strongly promote the benefits of being a reservist. The Company offers special paid leave to all reservists of up to 15 days per annum for training purposes, with additional leave available thereafter on a matched basis, with one extra day of leave provided by the Company for each one day of annual leave taken. Furthermore, BAE Systems also provides our Cadet Force Adult Volunteer employees up to 15 days special paid leave to support the UK Cadet Forces. In addition, we adopt a sympathetic and flexible approach to requests for leave from service spouses and partners before, during and post operational deployments. This includes two days Special Paid Leave either side of mobilisation for immediate family members as applicable.

BAE Systems' employees volunteer time to support skills and educational outreach activities. In 2024, 2,000 employees were registered STEM ambassadors across the Company, in support of community engagement and programmes such as the Jon Egging Trust (JET). BAE Systems has worked with JET for almost a decade, helping to deliver activities targeting young people at risk of leaving education. Volunteers deliver interactive workshops and challenges aimed at building teamwork, leadership and communication skills.

To support develop local businesses, BAE Systems leaders have volunteered with Be the Business, an SME coaching programme which connects owners and decision-makers in SMEs with business leaders from top-tier companies. Other employees volunteer in their communities as special constables, fire officers and magistrates.

■ SUPPORT FOR UK MILITARY CHARITIES

£2m

contributed to local and national charities and not for profit organisations

Supporting the armed forces community

BAE Systems puts support for serving and past members of the UK armed forces at the heart of its social impact programme. The UK Government introduced the Armed Forces Covenant in 2011, acknowledging the significant contribution of the armed forces community to the nation and promising to ensure that current and former armed forces personnel, and their families, are supported.

BAE Systems has supported the Covenant for over a decade, having first joined in 2013 as one of the first signatories. In 2014 the Company was one of the first six winners of the Gold Award in the Ministry of Defence's Employer Recognition Scheme for its work; a status it has maintained. BAE Systems puts the principles of the Covenant into practice through its pledges by promoting recruitment opportunities for veterans and service leavers and supporting them within the Company. It also partners with armed forces charities and encouages commitment to the Covenant along its supply chain. Over the coming decade, BAE Systems aims to focus on encouraging businesses in its supply chain to sign and support the covenant. Recognising that delivering social value is important, BAE Systems is creating guidelines to share best practice with suppliers and is encouraging firms to support the armed forces community through recruitment and employee volunteering.

Working closely to support those leaving the services, in 2024 the Company employed over 2,400 ex-forces personnel in the UK, working with the Ministry of Defence's Careers Transition Partnership to promote employment and training opportunities for military personnel transitioning into civilian careers. The Company has a dedicated team, established in 2022, to help recruit veterans, ensuring that ex-military personnel employed by BAE Systems sit on interview panels and help hiring managers interpret military candidates' CVs. The Company's recruitment also includes offering roles to spouses and partners of veterans.

The VetNet employee resource group at BAE Systems further supports members of the armed forces community within the Company. Veterans within the network support one another in career development and transition into the private sector, as well as raising funds for military charities. In 2024, the group had over 1,200 members comprised of veterans, active reservists and cadet force adult volunteers.

In 2024, BAE Systems gave £2m in support of military charities and community groups. It has long-standing partnerships with many organisations providing education and training to service personnel. For example, BAE Systems is one of the Army Benevolent Fund's longest running corporate sponsors, having given £1.2m to the charity. The Company also runs initiatives throughout the year in line with military celebrations and anniversaries, such as D-Day, Remembrance Day and Armed Forces Week, during which employees are encouraged to volunteer and raise funds for military charities. In 2024, BAE Systems funded the new Winston Churchill Centre for Education and Learning at the British Normandy Memorial in France through a £600,000 sponsorship, establishing a specially designed classroom for use by students from schools from the UK, France and beyond. In an example of support for local charities, the company donated £85,000 to Yorkshire-based charity Hull4Heroes, towards its emergency accommodation and support project. The funding enabled the charity to purchase property, which will provide immediate access to housing and support for homeless military veterans in Hull.

4. Investing in people and communities

4.5 Safety, health, wellbeing and inclusion

BAE Systems invests in employee safety, health and wellbeing across its UK business. The Company undertook several programmes prioritising physical safety in 2024, including focusing on mandatory training associated with workplace safety risks and developing and implementing BAE Systems Life Saving Rules.

Alongside employees' physical safety, BAE Systems provides resources to support employees' health and wellbeing. In addition to standard benefits such as occupational health provision and ergonomic assessments, resources available to all employees include access to a 24/7 employee assistance programme and to the Unmind digital mental health app for the employee and up to five family members or friends. Support is also available from a dedicated mental health employee resource group and more than 400 mental health first aiders across the Company. In 2024, the Company continued to deliver a range of events, webinars and communications, including peer to peer advocacy on all aspects of mental health and wellbeing.

BAE Systems aims to attract and retain the most highly skilled employees by recruiting from as broad a pool as possible and by nurturing and promoting an inclusive culture that ensures all its people feel they can contribute. This includes taking steps to create more access to opportunity for young people, such as through the Company's apprenticeship programme. BAE Systems has doubled its early careers intake over the past five years, recruiting 2,300 apprentices and graduates in the UK in 2024 (see section 2.2 for further information). In 2024, 30% of new apprentices were women and 28% of new graduates were from an ethnic minority group. Programmes such as the Women in Engineering Insight Experience, which offers a two-day virtual learning and networking opportunity, support female candidates currently studying a STEM degree. In 2024, the programme resulted in 77 females being offered apprenticeships at BAE Systems.

Alongside these activities, the Company supports inclusivity in the workforce through its UK employee resource groups (ERGs) relating to disability, mental health and wellbeing, military veterans, cultural and ethnic diversity, LGBTQ+ and gender themes. Nearly 12,800 UK employees were involved in one or more ERGS in 2024. EncourAGE is a new ERG launched in 2024, which aims to empower employees of all ages to bring their different skills, mindsets and perspectives to work.

- 24/7 EMPLOYEE ASSISTANCE PROGRAMME AVAILABLE TO SUPPORT MENTAL HEALTH

400

Mental Health First Aiders trained in BAE Systems

4.6 Environmental management

BAE Systems' approach to sustainable environmental practices includes reducing the carbon footprint of its operations on its sites and within its supply chain.

BAE Systems established a renewable energy strategy in 2024, promoting the use of clean energy across its sites. Since their installation in 2015, nearly 9,000 solar panels have been providing power to BAE Systems facility in Samlesbury, Lancashire, producing around 4% of the site's total consumption. In Glasgow, new solar panels provide a direct renewable source of electricity for three large manufacturing facilities in addition to its new Applied Shipbuilding Academy. The annual energy produced across the four sites is estimated at more than 1.3 m kilowatt hours (kWh), contributing 5% of site energy demand at Scotstoun shipyard and 3.5% at Govan. In Glascoed, munitions manufacturing facilities are also trialling replacing the diesel used for site work vehicles with alternative lower carbon fuels.

Construction commenced on a major new onshore wind farm at Stranoch in 2024, built by energy firm EDF Renewables. Consisting of 20 turbines, the wind farm will have 102MW capacity and a minimum life span of 30 years, with construction expected for completion in late 2026.[51] Once online, BAE Systems will purchase a portion of the wind farm's output, providing energy equivalent to around 40% of the Company's current UK electricity demand.

Minimising waste and resource consumption is another aspect of the Company's approach to environmental sustainability. In 2024, the Glascoed facilities team undertook waste reduction initiatives including installing new steam valves to better maintain facility moisture levels and target steam to specific locations. This is expected to enable a 15% reduction in the site's overall gas consumption through more efficient steam processing, leading to savings of 5.5 m kWh and 1,100 tonnes of CO_2e.

BAE Systems also works with local communities to support nature protection, including protecting local flora and fauna. In 2024, the facilities team at Glascoed worked with local ecologists to complete several biodiversity and habitat surveys, including local badgers, bats, nesting birds, and dormice surveys and invasive species surveys.

[54] EDF Renewables, Construction gets underway on 102MW Stranoch wind farm, 29 May 2024.

5. Impact on the UK's nations, regions, towns and cities

As highlighted in previous chapters, BAE Systems has a broad economic footprint across the UK, with 49,600 employees spread over more than 50 worksites and 5,800 suppliers sited across the country.[55] This chapter describes the Company's activities, its procurement spending and its impacts on employment (on an FTE basis), in the following nations and regions of the UK where it has the largest footprint:[56] [57]

London and the South East: with a focused analysis on the Company's major operations around Portsmouth, including at His Majesty's Naval Base, as well as an electronics design and manufacturing facility in Rochester, Kent.

The North West of England: with a focus on its submarines business in Barrow-in-Furness and the Air sector sites at Warton and Samlesbury as well as the Company's administrative and support offices in Preston.

The North East of England: the Company has sites in Brough, near Hull; and in Leeds, Washington, and Ridsdale in Northumberland.

Scotland: with a focused analysis on the contributions made by the two shipyards in Glasgow.

The South West of England: BAE Systems has sites in Yeovil, Christchurch, Gloucester, Dorchester, Weymouth, Bristol and Ross-on-Wye.

Wales: a focus on the munitions factory in Glascoed, Monmouthshire, which is BAE Systems' largest site in Wales.

Outside of these areas, the Company has significant operations at RAF Coningsby in the East Midlands, with 710 employees providing support and training services for the fleet of RAF Typhoon aircraft based there. In addition 150 employees work at RAF Marham, supporting the operation of the RAF's F-35 Lightning II aircraft. A further 260 staff are based at the R&D labs of the Digital Intelligence business in Great Baddow, in the East of England, alongside approximately 160 employees in Bedford, 20 employees in Milton Keynes and 50 employees based in Towcester. At the Coventry Manufacturing Technology Centre, an office for 50 Submarines engineers opened in 2024.

Fig. 21. Key areas of BAE Systems' operations and employment assessed in this chapter.[58]

[55] As at 31 December 2024 and including share of equity accounted investments: BAE Systems, Annual Report 2024, p.24.
[56] In this chapter and elsewhere in this report, we provide figures on the number of BAE Systems' employees at each worksite as at 31 December 2024. This is based directly on information provided by the Company. However, there are a number of employees in this dataset who are transient, moving between sites and overseas locations depending on their roles. The results presented in this chapter only include those employees recorded at each worksite as at 31 December 2024.
[57] All supply chain spending figures quoted in this chapter for each area relate to Group-wide spending, and do not relate to spending solely by the local BAE Systems business.
[58] Area definitions are based on selected local authority areas (LADs) based on the Office for National Statistics' "International Territorial Level" framework, as defined at 31 December 2024.

5.1 London and the South East of England

The South East of England and London contain many large BAE Systems worksites, spanning different defence domains. This includes major maritime facilities in the Portsmouth area and on the south coast, and electronics systems development in Rochester, Kent, both of which are explored in the following sections.

Outside of these two areas, BAE Systems' head office functions are divided between central London and Frimley in Surrey,[59] with employees based at Frimley also working on military aircraft, submarines and naval ships combat systems. The Company has 290 employees in New Malden in outer London, managing the integration of naval ships combat systems. In addition, employees working on aerospace technologies are based at several sites across the South East with more than 100 employees based at Maidenhead in Surrey and 30 employees based in Oxford.

The Company's Digital Intelligence business has several sites across the South East. This includes sites in Alton, Hampshire, with 200 employees working on satellite design, build and operations, and approximately 80 employees in Shrivenham, Oxfordshire, working at the Digital Intelligence Pulse Power and Measurement (PPM) on electronics manufacturing. The region is also home to larger Digital Intelligence sites, with 780 employees based at Surrey Research Park in Guildford in 2024 and 830 employees whose contracted workplace is in central London.

In total, the Company directly employs over 8,100 employees across the South East of England plus more than 1,100 working in London. BAE Systems' UK-based operations procured £1.6bn of goods and services from 1,650 businesses in London and the South East of England in 2024. This procurement sustained employment for 15,500 workers across the two regions. Another 7,200 workers were supported by the consumer spending stimulus of the Company's employees and the workers of the businesses which make up its supply chain. Factoring in the Company's indirect and induced impacts, BAE Systems supported a total of 31,900 workers across London and the South East.

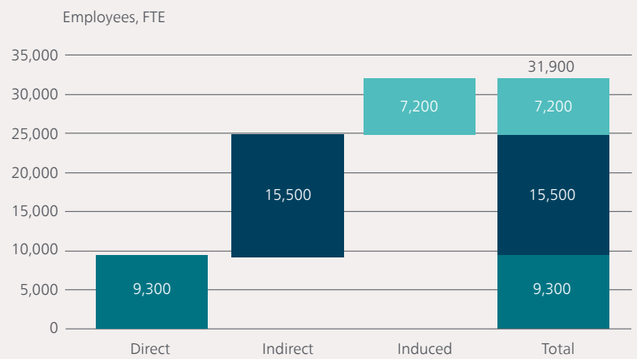


Fig. 22. BAE Systems' contribution to employment in London and the South East of England, 2024. Totals may not sum due to rounding.

[59] BAE Systems' head offices are located in Frimley and London.

■ SPENDING WITH SUPPLIER COMPANIES IN LONDON AND THE SOUTH EAST

£1.6bn

with 1,650 businesses

5. Impact on the UK's nations, regions, towns and cities

5.1.1 Portsmouth and the surrounding area

BAE Systems' operations in Portsmouth and the surrounding area are primarily focused on Portsmouth Naval Base, which is the base for the Company's warship support and maintenance to the majority of the Royal Navy's surface ships. This includes the flagship aircraft carriers, Type 45 destroyers, Type 23 frigates, mine countermeasure vessels and offshore patrol vessels. The Company provides end-to-end maritime services for these ships ranging from data management, equipment and facilities management and crew training to manufacturing small rigid inflatable boats.

Near to the Naval Base is the Broad Oak site, an engineering and manufacturing facility where engineers design, deliver, support and upgrade naval gun systems, underwater weapons and autonomous maritime capabilities. There is also a radar technology development site in Cowes on the Isle of Wight which provides through-life support to in-service radar as well as designing and building new systems. These technologies are used across the Royal Navy's surface and sub-surface fleet, as well as across the land domain.

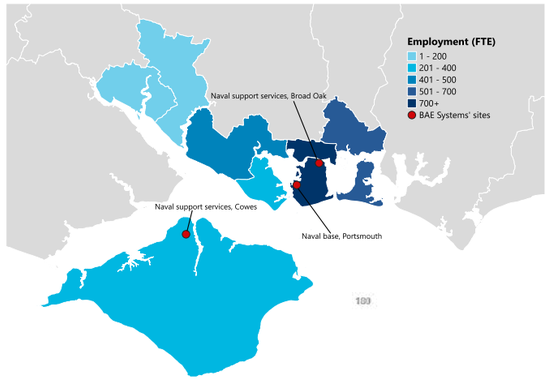


Fig. 23. BAE Systems' operations and employment in the Portsmouth area, 2024.

BAE Systems had 4,000 direct employees in the Portsmouth area and on the Isle of Wight in 2024, including at Portsmouth Naval Base, as well as facilities at Broad Oak, the Portsdown Technology Centre and in Cowes. The Company procured £240m of goods and services with 180 suppliers based in the Portsmouth area. We estimate that through BAE Systems' supply chain spending in the Portsmouth area,[60] a further 1,600 workers were supported locally, while worker spending effects supported a further 900 for a total employment supported of 6,400 workers.

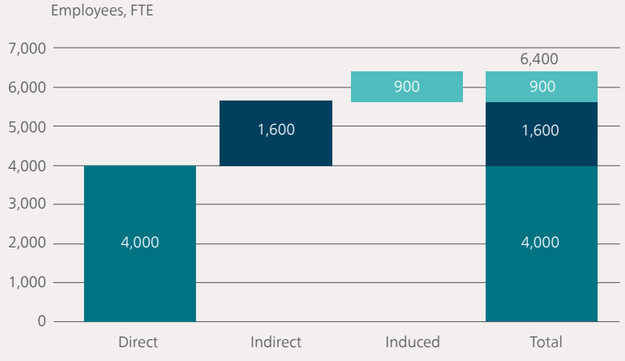


Fig. 24. BAE Systems' employment impact in the Portsmouth area, 2024.
Totals may not sum due to rounding.

Around the Portsmouth area, BAE Systems engages with organisations, charities and Portsmouth City Council to support heritage activities and initiatives benefiting the local community. This includes supporting the HIVE, a shared space for local charitable and voluntary organisations to work together on projects improving social outcomes for the community. BAE Systems donated £500,000 to Portsmouth City Council to create a new educational space in Stamshaw Adventure Playground, providing educational services, advice and support from a careers adviser for young people aged between 14 and 24 and not in employment, education or training.

■ SPENDING WITH SUPPLIER COMPANIES IN PORTSMOUTH AND THE SURROUNDING AREA

£240m

with 180 businesses

[60] Comprising the following local authorities: Eastleigh, Fareham, Gosport, Havant, Isle of Wight, Portsmouth and Southampton.

5.1.2 Rochester

BAE Systems has a facility in Rochester that produces electronic and electrical systems for both defence and commercial customers around the world. The facility is managed by BAE Systems Inc, the Company's US-based business, and has roots in the area dating back through predecessor companies to the early 1900s. Electronics and avionics have been a key focus for much of that time.

Activities at the site today include developing the Striker II Helmet-Mounted Display, which builds on the existing Striker system currently in use by Eurofighter Typhoon pilots, with new features such as integrated night vision. Employees at Rochester also develop Head-Up Displays for commercial and military aircraft, which project flight information onto a transparent screen over the cockpit windscreen or canopy. The Rochester location houses simulators for both helicopters and fixed-wing aircraft that enable many of the Company's aviation products to be demonstrated to stakeholders such as suppliers, partners and customers.

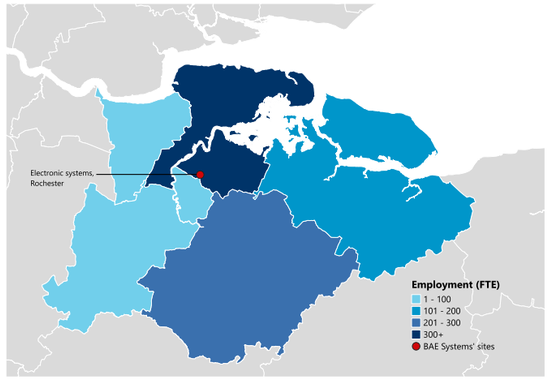


Fig. 25. BAE Systems' operations and employment in Rochester area, 2024.

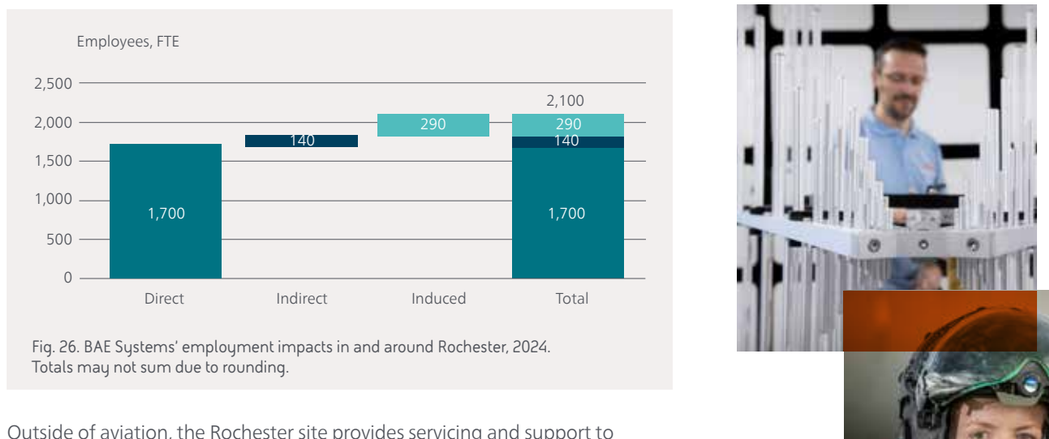


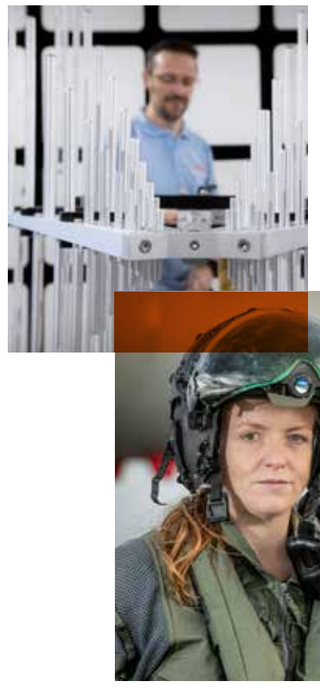
Fig. 26. BAE Systems' employment impacts in and around Rochester, 2024.
Totals may not sum due to rounding.

Outside of aviation, the Rochester site provides servicing and support to customers of more than 18,000 hybrid and electric drivetrains that BAE Systems has produced for buses used in locations such as London, Paris, New York and Hong Kong. The site also contains the Faraday Test Centre, which allows testing of customer equipment against different electromagnetic conditions including radio frequencies, nuclear electromagnetic pulses and electrostatic discharges, as well as environmental factors such as temperature, humidity and vibration.

The business in Rochester engages with organisations that are active in the local community, such as food banks, veteran support teams and educational groups including The Engineering Development Trust.

In 2024, BAE Systems had approximately 1,700 direct employees and spent nearly £20m with 60 businesses in the Rochester area.[61] We estimate that BAE Systems' supply chain spending supported a further 140 workers in the Rochester area, while worker spending effects supported a further 290, for a total employment supported of 2,100 workers in 2024.

The Company is expanding the site, with a £220m investment planned to upgrade facilities including a large expansion of floorspace for manufacturing, engineering and office work, which may lead to additional employment impacts in the region.



■ SPENDING WITH SUPPLIER COMPANIES IN ROCHESTER

£20m

with 60 businesses

[61] Comprising the following local authority districts: Gravesham, Maidstone, Medway, Swale, and Tonbridge and Malling.

5. Impact on the UK's nations, regions, towns and cities

5.2 North West of England

The North West of England is home to several significant BAE Systems businesses in the UK. In Barrow-in-Furness in Cumbria, the Company designs and builds Royal Navy submarines, including all those currently in service and those planned to be in service. In Lancashire, where the majority of the Company's employees in its UK Air sector are based, BAE Systems develops, builds and tests the RAF's Typhoon fleet of fighter jets. At Samlesbury the Company builds the rear fuselage and empennage of the F-35 fighter aircraft and uses digital manufacturing techniques to deliver Tempest, the UK's next generation combat aircraft at the heart of the UK's Future Combat Air System (FCAS). In Preston 1,700 employees focus on providing shared services for BAE Systems UK business operations. Elsewhere in the region BAE Systems' munitions business has a facility at Radway Green outside Crewe, with 390 employees manufacturing and testing ammunition for small arms. A total of 26,500 BAE Systems employees work in the North West of England, representing 57% of total UK-based BAE Systems employment.

The Company supported economic activity in the region in 2024 through the procurement of goods and services worth £850m from 650 suppliers in the area. The spend sustained the employment of a further 10,200 workers within the region. Factoring in the economic activity stimulated by these workers and BAE Systems employees spending their wages in the wider economy, the Company supported total employment of 48,400 jobs within the region in 2024.

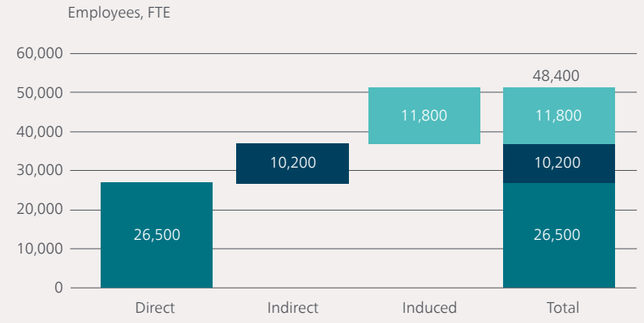


Fig. 27. BAE Systems' contribution to employment in the North West of England, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN THE NORTH WEST OF ENGLAND

£850m

with 650 businesses

5.2.1 Barrow-in-Furness

BAE Systems' shipyard at Barrow-in-Furness has been the home of submarine design, manufacture, test and commissioning for the Royal Navy since 1901. The Company's current focus at Barrow includes the design and build of Astute-class attack submarines, with five submarines in the seven-boat class delivered to the Royal Navy. The sixth submarine, Agamemnon, was launched in October 2024 and work is well underway on the seventh and final submarine, Achilles. The business has also made significant progress in developing the four-boat Dreadnought-class ballistic missile submarines. In March 2025, the keel was laid for Dreadnought, the first submarine in the class. This is expected to enter service in the early 2030s.

Following the announcement of the AUKUS trilateral military partnership between Australia, the United Kingdom and the United States in 2021, BAE Systems is producing the design of the SSN-AUKUS[62] submarines in Barrow and has been selected by the Australian Government, along with ASC Pty Ltd, to build Australia's SSN-AUKUS submarines in Australia. In addition, BAE Systems will build the UK's SSN-AUKUS submarines in Barrow to replace the Astute class. The SSN-AUKUS class is expected to start to enter service with the Royal Navy in the late 2030s and with the Royal Australian Navy in the early 2040s. The programme is facilitating international collaboration in key advanced defence technologies.

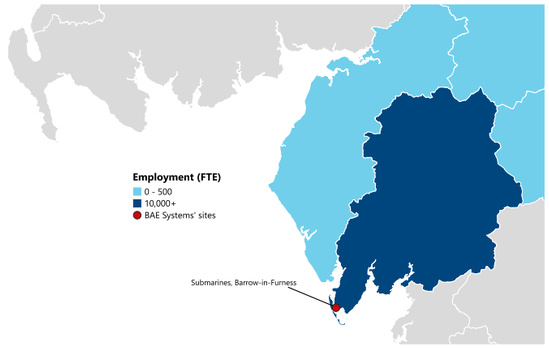


Fig. 28. BAE Systems' operations and employment in Barrow-in-Furness, 2024.

More than £1bn has been invested since July 2013 in the Barrow shipyard to support construction of the UK's new Dreadnought submarines. Working in partnership with local stakeholders, BAE Systems is also contributing to the regeneration and development of the local town. The Company is investing across Barrow-in-Furness to contribute to local education, STEM and community outreach and recruitment services — for more information see the case study on page 16. In 2024, the Company launched the BAE Systems Social Enterprise Fund with a £60,000 donation to support community groups. The Fund was administered by the Cumbria Social Enterprise Partnership and existing or new organisations were able to apply for funding to support their projects, with nine local organisations being successful.

BAE Systems' Weapon Systems business also has a facility at the shipyard in Barrow in a building that can trace roots in naval weapons back to 1871. Today, a workforce of 200 is focused on support programmes for artillery and naval guns for UK and international customers.

In 2024, the Barrow site had approximately 12,300 employees. We estimate that BAE Systems' supply chain spending of £100m with 70 businesses supported employment of a further 1,000 workers in the local authority area.[63] In addition, worker spending effects supported a further 2,900, for a total employment supported of 16,100 workers.

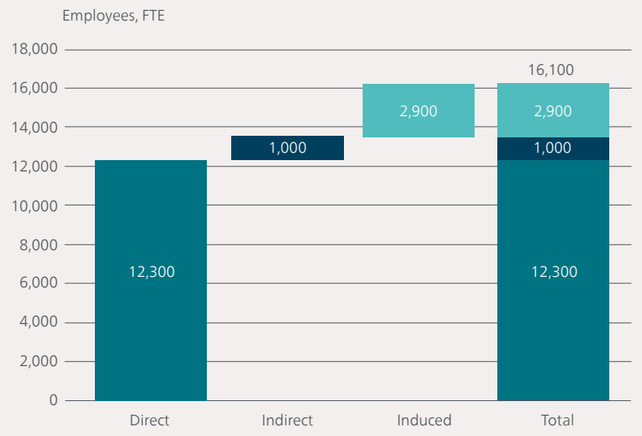


Fig. 29. BAE Systems' employment impacts in Barrow-in-Furness area, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN BARROW

£100m

with 70 businesses

[62] "SSN" denotes a nuclear-powered attack submarine ("Ship Submersible Nuclear"). Source: Submarine Delivery Agency, Types of UK Royal Navy Submarines, February 2025.
[63] Only the local authority district of Westmorland and Furness is included in the modelling, which contains the vast majority of BAE Systems' employees in the area surrounding Barrow-in-Furness. Other local authority districts are displayed on the map only for comparison and are not included in the local area modelling.

5. Impact on the UK's nations, regions, towns and cities

5.2.2 Warton, Samlesbury and Preston

The North West of England is home to two significant BAE Systems sites in the Air sector at Warton and Samlesbury in Lancashire. The Company's largest facility in Lancashire is in Warton. Aviation manufacturing and assembly has roots at Warton dating back to before WWII. Today operations at Warton include engineering, research and development, flight testing and capability development and upgrades to the Typhoon aircraft. The site is also the headquarters for the FalconWorks portfolio — the advanced research and technology development arm of the Air sector, focusing on a range of uncrewed systems and autonomous collaborative platforms for military and commercial application.

The advanced Factory of the Future at Warton, is applying new digital manufacturing techniques to early concepting work for the Future Combat Air System (FCAS), and a range of uncrewed systems that form part of the FalconWorks portfolio (see the case study on page 29 for more information).

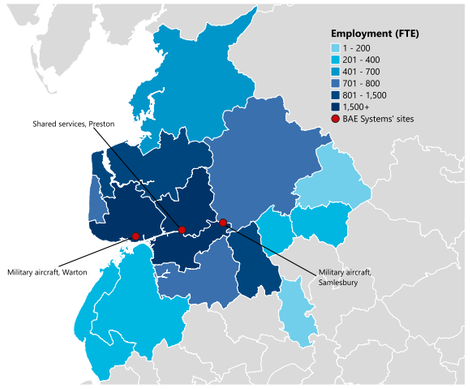


Fig. 30. BAE Systems' operations and employment in Lancashire area, 2024.

Located a short distance away is the Samlesbury site which has a long history in aviation, dating back to 1922, where the Company designs and builds major components for the Typhoon as well as manufacturing the rear fuselage and parts of the vertical and horizontal tails for the F-35 aircraft. The site is also home to the Academy for Skills and Knowledge which specialises in training apprentices, upskilling more experienced employees. The site offers over 20 different apprenticeship and graduate schemes for Air sector employees and has seen more than 30,000 people pass through its doors since the facility first opened in 2016. The facility facilitates lifelong learning for Air sector employees and offers an interactive science and engineering classroom for local schools.

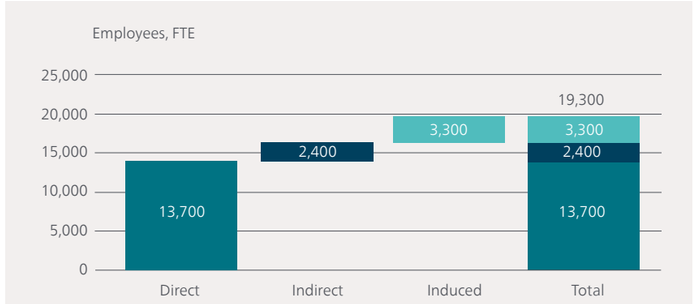


Fig. 31. BAE Systems' employment impacts in and around Lancashire, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN WARTON, SAMLESBURY AND PRESTON

£190m

with 210 businesses

Alongside these major aerospace centres, BAE Systems has a presence in Preston itself, with 1,700 employees focused on central business support activities including finance, procurement, human resources, recruitment, real estate and facilities management.

In 2024, these sites together had approximately 13,700 employees. We estimate that BAE Systems' supply chain spending of more than £190m with 210 suppliers in the Lancashire area[64] supported employment of a further 2,400 workers locally, while worker spending effects supported a further 3,300, for a total employment supported of 19,300 workers.

In support of the community across Lancashire, in 2024, BAE Systems donated £125,000 to help fund a Makers Zone at a Youth Zone in Chorley, Lancashire. Youth Zones are centres in disadvantaged areas for young people to learn coding, animation, videography, design and other digital skills in a safe and supported environment. BAE Systems is also working with two other Youth Zones in Blackburn and Preston, providing more than £500,000 in combined funding across the three facilities.

[64] Comprising the following local authority districts: Blackburn with Darwen, Blackpool, Burnley, Bury, Chorley, Fylde, Hyndburn, Lancaster, Pendle, Preston, Ribble Valley, Sefton, South Ribble, West Lancashire and Wyre.

5.3 North East of England and Yorkshire and the Humber

BAE Systems has several facilities across the North East and Yorkshire and Humber, covering different aspects of the Company's operations, with approximately 1,500 direct employees in total across these regions. The largest site is a leading engineering hub and structural test facility for military aircraft and a digital engineering hub in Brough near Hull, where more than 730 employees are based. Activities here support the delivery of major programmes such as the FCAS Programme's next generation military aircraft, Tempest, and the Dreadnought submarine programme.

Leeds is home to approximately 310 employees, mostly in the Digital Intelligence business. In addition, the Company's Aircraft Maintenance Academy is located at Humberside Airport, training apprentices to become maintenance technicians for the UK and its allies' fleets of combat jets. RAF Leeming in Yorkshire is home to the joint Hawk Training Squadron between the Royal Air Force and the Qatar Emiri Air Force, with nearly 20 BAE Systems staff on site.

BAE Systems operates two munitions sites in the North East. Washington, in Tyne & Wear, has a focus on heavy ammunition for artillery and tanks, with a 250-tonne steel-making forge and 370 employees on site, and Ridsdale in Northumberland is home to a munitions testing and evaluation site with 20 employees.

In addition the Company is establishing a new £25m artillery development and production facility in Sheffield that will create 200 high-skilled jobs, as discussed in the case study on page 23. The new facility will manufacture the Company's M777 lightweight towed howitzer and support the UK Government's ambitions to sustain and revitalise vital UK artillery capabilities.

In 2024, BAE Systems supported the employment of 12,000 workers in the North East of England and Yorkshire and the Humber. Through its worksites across the two regions, BAE Systems had a total of 1,500 direct employees. The Company spent £400m with 400 suppliers in the two regions, generating indirect output that sustained the employment of 5,800 workers. An estimated 4,700 workers were supported through the impact of induced consumer spending in 2024, to give a total local employment impact of 12,000 workers supported.

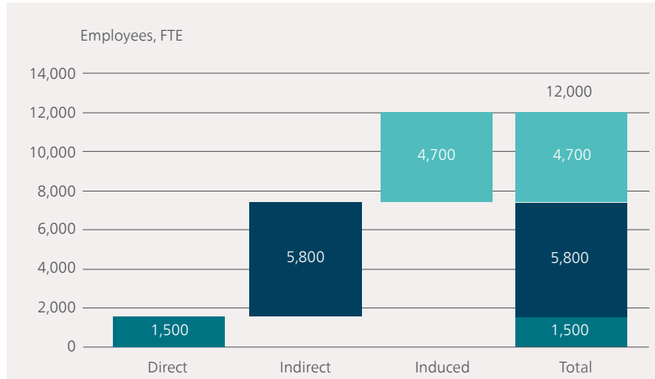


Fig. 32. BAE Systems' contribution to employment in the North East of England and Yorkshire and the Humber, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN THE NORTH EAST OF ENGLAND AND YORKSHIRE AND THE HUMBER

£400m

with 400 businesses

5. Impact on the UK's nations, regions, towns and cities

5.4 Scotland

BAE Systems' shipbuilding operations are a primary focus for Scotland, with a total of 4,500 direct employees in Scotland in 2024. Activities are concentrated around the Govan and Scotstoun shipyards in the Glasgow area. Manufacturing is currently focused on building the Type 26 Class frigate, the Company's UK variant of its Global Combat Ship for the Royal Navy.

Outside of these shipyards, the Company's next largest site is at Prestwick airport, with 240 employees providing engineering support for commercial aircraft built by BAE Systems.

A further 160 employees in Hillend outside Edinburgh specialise in electronics development and manufacturing, and 100 employees work at RAF Lossiemouth. This is a Typhoon main operating base, home to four Typhoon squadrons, with its primary role being the provision of Quick Reaction Alert North, maintaining aircraft and crews on high alert to scramble and intercept unidentified aircraft approaching UK airspace. Another 20 employees are located at His Majesty's Naval Base Clyde at Faslane, supporting the Royal Navy's submarine fleet operations.

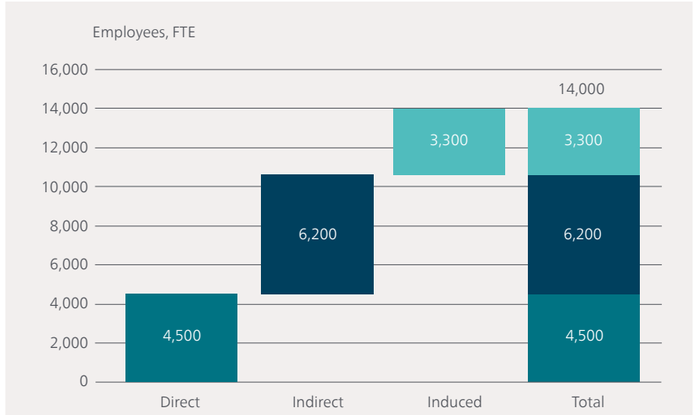


Fig. 33. BAE Systems' contribution to employment in Scotland, 2024. Totals may not sum due to rounding.

The Company has converted eight square kilometres of the former Royal Ordnance Factory at Bishopton outside Glasgow into a new village, which will provide 4,000 new homes by the time it is complete in 2034. The site is home to 40 employees at the Company's principal facility for environmental testing and evaluation of munitions, using endoscopy and radiography.

In 2024, Scottish companies supplied 9% of BAE Systems' domestic procurement, with £550m spent with 300 suppliers in Scotland. This significant spending generated output that supported the employment of 6,200 workers. The wage expenditure of these workers and those directly employed by the Company at Scottish worksites supported the employment of a further 3,300 workers. In total, BAE Systems supports employment for 14,000 workers in Scotland through the direct, indirect and induced channels.

■ SPENDING WITH SUPPLIER COMPANIES IN SCOTLAND

£550m

with 300 businesses

£300m investment upgrades Clyde shipbuilding

BAE Systems is investing in a significant modernisation of the UK's warship building capabilities through a £300m upgrade of its facilities in Glasgow. The investment programme is being delivered over five years across the Govan and Scotstoun shipyards on the River Clyde. It supports the construction of eight Type 26 frigates ordered by the Royal Navy and future-proofs the shipyards to build the next generation of warships.

The frigates are a new class of multi-role warships designed to replace the UK's Type 23 frigates. The first in class, HMS Glasgow, is expected to enter service in 2028 and the new vessels will be used in anti-submarine warfare, air defence and humanitarian assistance.

A major part of the investment includes the £200m modernisation of existing shipbuilding facilities at Govan, alongside additional investments in technologies and equipment. In a first for UK shipbuilding, the new Janet Harvey Hall at Govan is large enough for two ships to be constructed side by side, accommodating up to 500 workers per shift. The hall commemorates Janet Harvey, a trailblazing electrician who joined the workforce at Govan shipyard during the Second World War.

BAE Systems has also invested £12m in the new Applied Shipbuilding Academy at Scotstoun, the Company's third dedicated training facility in the UK. Opened in summer 2024, the academy provides learning and skills development opportunities for BAE Systems' entire shipbuilding workforce, from apprentices to senior leaders. The academy is supporting the expansion of the Company's early careers programme in Scotland, with the intake in Glasgow expected to average at 125 apprentices joining each year. Learners at the academy are engaged in hands-on training through immersion in realistic ship mock-ups in the modern trade hall. The academy also includes an adjacent flexible learning hub comprising teaching spaces, an innovation lab, an exhibition area and a conference space.

The Company's investments will support accelerated build times for the Type 26 frigates. By streamlining processes and shielding construction from adverse weather events, BAE Systems' investments in Glasgow are expected to improve the competitiveness of Scotland and the UK in the global shipbuilding industry.

5. Impact on the UK's nations, regions, towns and cities

5.4.1 Glasgow

Glasgow is the base for BAE Systems' shipbuilding operations in Scotland. The Company operates two shipyards on either side of the River Clyde, at Govan and Scotstoun, with approximately 4,000 direct employees across both.

BAE Systems' shipbuilding heritage in Glasgow can be traced back over a century, through which it has transitioned from commercial shipbuilding to complex warship design and construction. In recent years, BAE Systems' Glasgow shipyards have produced and launched six Daring-class Type 45 destroyers, five River class Offshore Patrol Vessels, and were major contributors to the Queen Elizabeth Class of Aircraft Carriers.

The Glasgow shipyards are also currently supporting the construction of eight Type 26 frigates ordered by the Royal Navy. The first five frigates are currently at different stages of build across both Glasgow. In Govan, HMS Belfast, HMS Birmingham and HMS Sheffield are in production. Both HMS Cardiff and HMS Glasgow, the first of class, are at different stages of fitting out in Scotstoun in preparation of sea trials. Australia and Canada have purchased the Global Combat Ship design used for the Type 26, resulting in a 29-ship programme across the three nations. The Company is making significant investments in its Glasgow operation, spending £300m modernising existing shipbuilding facilities at the Govan and Scotstoun shipyards, including a new shipbuilding hall at Govan large enough for two ships to be constructed side by side. The Company has invested £12m in a new Applied Shipbuilding Academy at Scotstoun, alongside additional investments in technologies and equipment. For further information on BAE Systems' investments in Glasgow, see the case study on page 51.

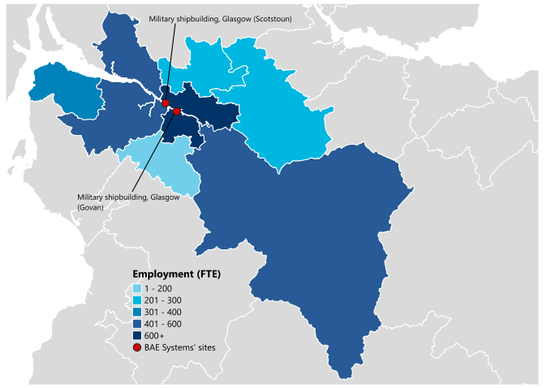


Fig. 34. BAE Systems' employees, by local authority of residence, Scotland, 2024.

In the communities surrounding the Scotstoun and Govan shipyards, BAE Systems works with schools to deliver STEM activities and partners with local colleges and associations to help promote trade skills and careers. The company supports a number of local veterans charities and its employees support the local communities through fundraising and volunteering across a range of projects. In 2024, BAE Systems contributed over £500,000 to Govan Home and Education Link Project (Govan HELP), a local charity dedicated to supporting families with children in the area.

In 2024, BAE Systems' sites in Glasgow hosted approximately 4,000 employees. We estimate that BAE Systems' supply chain spending of £140m with 170 businesses supported a further 1,100 employees in the Glasgow area,[65] while worker spending effects supported a further 1,100, for a total employment supported of 6,200 workers.

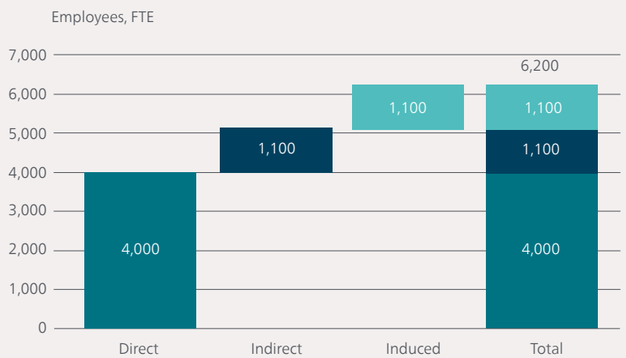


Fig. 35. BAE Systems' contribution to employment in Glasgow area, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN GLASGOW

£140m

with 170 businesses

[65] Comprising the following local authority districts: East Dunbartonshire, East Renfrewshire, Glasgow City, Inverclyde, North Lanarkshire, Renfrewshire, South Lanarkshire and West Dunbartonshire

5.5 South West of England

BAE Systems operations in the South West are spread across different military domains. The highest concentration of staff in the region is in Filton on the outskirts of Bristol, where 680 programme management and naval ships combat systems staff are based, with under ten staff at the nearby Ministry of Defence facility in Abbey Wood.

The Company's Digital Intelligence business has locations throughout the region. This includes the largest site at Gloucester, where 510 employees are based, as well as 120 employees who joined BAE Systems after the Company acquired the SME TechModal in Bristol. This team focuses on data science, modelling and simulations. In addition, nearly 50 employees work in the recently acquired Kirintec business, based in Ross-on-Wye.

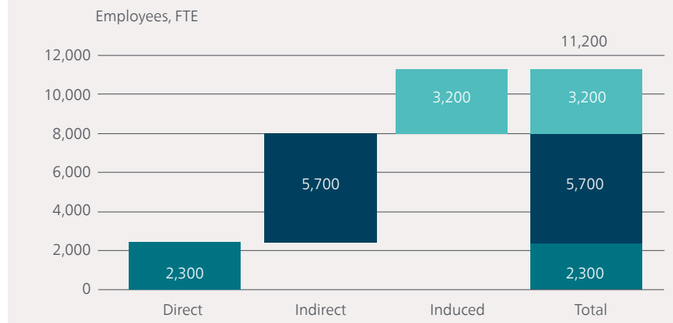


Fig. 36. BAE Systems' contribution to employment in the South West of England, 2024. Totals may not sum due to rounding.

A further 230 staff work at a site in Yeovil, specialising in software development, airborne mission systems, maintenance management systems and tools for managing tactical data links. Another 180 employees develop advanced aerospace technologies at a site in Salisbury.

On the south coast the Company has sites at Christchurch, where 280 employees focus on secure information systems; at Weymouth, where 180 staff work on submarine design; as well as 80 staff across Dorchester and Plymouth.

In 2024, we estimate BAE Systems supported the employment of 11,200 workers in the South West of England, including 2,300 direct employees. BAE Systems' supply-chain spending of £650m with 450 suppliers in the region supported a further 5,700. The economic activity stimulated by wage payments to BAE Systems' employees and the workers of its suppliers sustained the remaining 3,200.

■ SPENDING WITH SUPPLIER COMPANIES IN THE SOUTH WEST OF ENGLAND

£650m

with 450 businesses

5. Impact on the UK's nations, regions, towns and cities

5.6 Wales

Most of BAE Systems' employment in Wales is located at a munitions factory in Glascoed, Monmouthshire, with 870 employees. The Company also employs approximately 90 staff at RAF Valley. The air force base specialises in fast jet flying training and the Company's employees provide maintenance and training support to the RAF's Hawk fleet.

BAE Systems had nearly 1,000 direct employees across its sites in Wales in 2024. The Company spent £100m in procurement with 150 businesses in Wales in 2024, helping to support employment for an estimated 1,800 workers, while wage-spending effects supported the employment of another 2,100 workers in the area. We estimate the total employment contributions of BAE Systems' Welsh-based operations to be 4,900 workers in 2024.

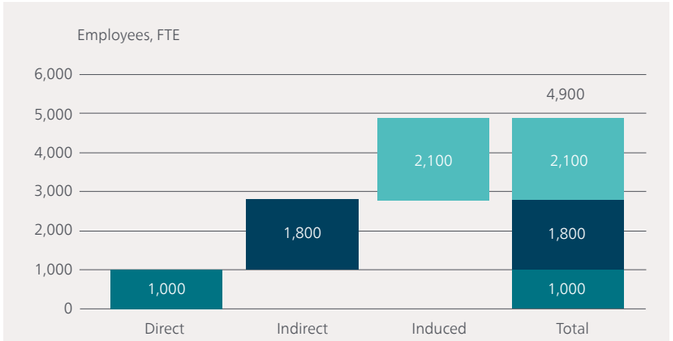
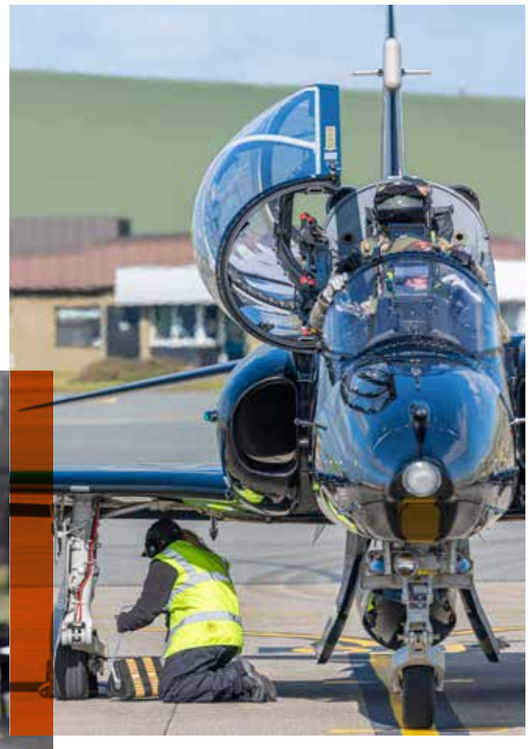


Fig. 37. BAE Systems' contribution to employment in Wales, 2024. Totals may not sum due to rounding.

■ SPENDING WITH SUPPLIER COMPANIES IN WALES

£100m

with 150 businesses in 2024



5.6.1 Glascoed

Originally built as a Royal Ordnance Factory in preparation for World War II, the facility at Glascoed has now been in operation for more than 80 years and supplies ammunition for the UK armed forces for training and frontline operations, as well as NATO allies. Glascoed is a key facility for the UK munitions industry, delivering high-volume munitions to the UK Armed Forces and international customers, alongside other BAE Systems munition production sites in Radway Green near Crewe in Cheshire and Washington in Tyne & Wear.

In 2024, BAE Systems' site in Glascoed hosted approximately 870 employees. We estimate that BAE Systems' supply chain spending of £20m with 50 suppliers in the Glascoed area[66] supported an additional 130 workers in this area. Worker spending effects supported a further 160, for a total employment supported of 1,200 workers.

The Company has made extensive investment into Glascoed to ensure it remains at the cutting edge of innovation and technological development to provide enhanced capability and value to customers. See the case study on page 23 for more details.

■ SPENDING WITH SUPPLIER COMPANIES IN GLASCOED

£20m

with 50 businesses in 2024

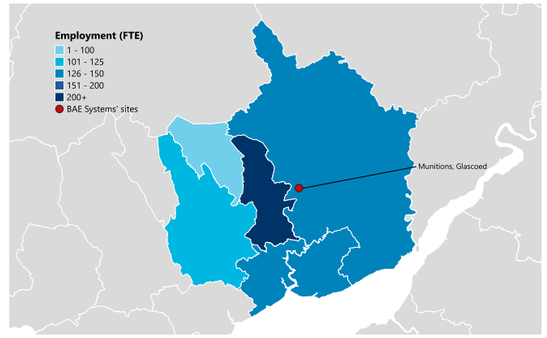


Fig. 38. BAE Systems' employees, by parliamentary constituency of residence, Glascoed area in 2024.

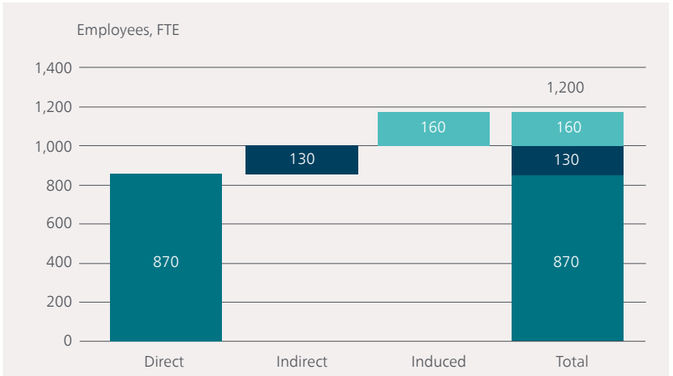


Fig. 39. BAE Systems' contribution to employment in the Glascoed area, 2024. Totals may not sum due to rounding.

[66] Comprising the following local authority districts: Blaenau Gwent, Caerphilly, Monmouthshire, Newport and Torfaen.

Appendix A

Fig. 40. BAE Systems Full Time Equivalent employees by top 50 Company and customer locations[67]

Rank by no. of employees	Company worksite/ customer site	Employees, FTE
1	Barrow-in-Furness	12,300
2	Warton	6,400
3	Samlesbury	5,600
4	Glasgow	4,000
5	Portsmouth	3,700
6	Rochester	1,700
7	Preston	1,700
8	Frimley	1,300
9	Glascoed	870
10	London	830
11	Guildford	780
12	Brough	730
13	RAF Coningsby	710
14	Filton	680
15	Gloucester	510
16	Radway Green	390
17	Washington	370
18	Leeds	310
19	New Malden	290
20	Christchurch	280
21	Cowes	280
22	Great Baddow	260
23	Prestwick	240
24	Yeovil	230
25	Alton	200
26	Salisbury	180
27	Weymouth	180
28	Manchester	170
29	Hillend	160
30	Bedford	160
31	RAF Marham	150
32	Bristol	130
33	Maidenhead	110
34	Humberside	100
35	RAF Lossiemouth	100
36	RAF Valley	90
37	Shrivenham	80
38	Dorchester	50
39	Ross on Wye	50
40	Towcester	50
41	Bishopton	40
42	Oxford	30
43	Plymouth	30
44	Faslane Naval Base	20
45	RAF Leeming	20
46	Milton Keynes	20
47	Ridsdale	20
48	Aylesbury	20
49	Coventry	20
50	Other/Abroad	410

[66] These figures and those in this section do not include equity accounted investments and are in FTE terms.

Appendix A

Fig. 41. BAE Systems Full Time Equivalent employees' residency by top 125 Westminster Parliamentary Constituencies

Rank by employees	Westminster parliamentary constituency	Employees, FTE
1	Barrow and Furness	10,100
2	Fylde	2,200
3	Ribble Valley	2,000
4	South Ribble	1,400
5	Preston	1,300
6	Chorley	710
7	Blackburn	700
8	Lancaster and Wyre	650
9	Portsmouth South	640
10	Fareham and Waterlooville	570
11	Blackpool North and Fleetwood	560
12	Blackpool South	540
13	Portsmouth North	520
14	Pendle and Clitheroe	440
15	West Dunbartonshire	430
16	Morecambe and Lunesdale	430
17	Gosport	390
18	Sleaford and North Hykeham	390
19	Westmorland and Lonsdale	390
20	Paisley and Renfrewshire North	370
21	Havant	370
22	Inverclyde and Renfrewshire West	360
23	East Hampshire	350
24	Glasgow West	340
25	Rochester and Strood	330
26	Chatham and Aylesford	310
27	Rossendale and Darwen	290
28	Burnley	270
29	Goole and Pocklington	270
30	Hyndburn	260
31	Hamble Valley	260
32	Paisley and Renfrewshire South	230
33	Wigan	230
34	Gillingham and Rainham	220
35	Torfaen	220
36	Aldershot	220
37	Mid Dunbartonshire	220
38	Salisbury	210
39	Isle of Wight West	210
40	Glasgow South West	200
41	Southport	200
42	North East Hampshire	190
43	Rutherglen	190
44	Bristol Central	180
45	Guildford	170
46	Bedford	170
47	Farnham and Bordon	160
48	North Ayrshire and Arran	160
49	Kilmarnock and Loudoun	160
50	East Renfrewshire	150

Appendix A

Fig. 41. continued, BAE Systems Full Time Equivalent employees' residency by top 125 Westminster Parliamentary Constituencies

Rank by employees	Westminster parliamentary constituency	Employees, FTE
51	Central Ayrshire	150
52	Monmouthshire	150
53	West Lancashire	150
54	Glasgow South	140
55	Bolton West	140
56	Maidstone and Malling	140
57	Yeovil	130
58	Isle of Wight East	130
59	Glasgow East	130
60	Sittingbourne and Sheppey	130
61	Godalming and Ash	130
62	Kingston upon Hull West and Haltemprice	130
63	Maidenhead	130
64	Surrey Heath	130
65	Louth and Horncastle	120
66	East Kilbride and Strathaven	120
67	Glasgow North East	110
68	Southampton Itchen	110
69	Glasgow North	110
70	South Dorset	110
71	Ayr, Carrick and Cumnock	110
72	Newport East	100
73	Chichester	100
74	Christchurch	100
75	Gloucester	100
76	Blaenau Gwent and Rhymney	100
77	Moray West, Nairn and Strathspey	100
78	Filton and Bradley Stoke	100
79	Makerfield	100
80	Faversham and Mid Kent	100
81	Chelmsford	90
82	Cheltenham	90
83	Eastleigh	90
84	Witney	90
85	Cumbernauld and Kirkintilloch	90
86	Beverley and Holderness	90
87	Newport West and Islwyn	90
88	Bolton North East	90
89	Winchester	80
90	Hamilton and Clyde Valley	80
91	Kingston upon Hull North and Cottingham	80
92	Manchester Central	80
93	Oldham West, Chadderton and Royton	80
94	Dunfermline and Dollar	80
95	Thornbury and Yate	80
96	Coatbridge and Bellshill	80
97	North Durham	80
98	Woking	80
99	Hereford and South Herefordshire	80
100	Stoke-on-Trent North	80

Appendix A

Fig. 41. continued, BAE Systems Full Time Equivalent employees' residency by top 125 Westminster Parliamentary Constituencies

Rank by employees	Westminster parliamentary constituency	Employees, FTE
101	Ynys Môn	80
102	Congleton	80
103	West Dorset	70
104	Washington and Gateshead South	70
105	South West Norfolk	70
106	Crewe and Nantwich	70
107	Worsley and Eccles	70
108	North Cotswolds	70
109	Motherwell, Wishaw and Carluke	70
110	Gravesham	70
111	Wokingham	70
112	Leigh and Atherton	70
113	New Forest West	70
114	Glastonbury and Somerton	70
115	Sefton Central	70
116	Oldham East and Saddleworth	70
117	Heywood and Middleton North	70
118	Whitehaven and Workington	60
119	Romsey and Southampton North	60
120	Bracknell	60
121	Skipton and Ripon	60
122	Bury North	60
123	Ashford	60
124	Salford	60
125	New Forest East	60

Appendix A

Fig. 42. BAE Systems Procurement spend by top 125 Westminster Parliamentary Constituencies

Rank by procurement	Westminster parliamentary constituency	Procurement spend, £ millions
1	Edinburgh North and Leith	312
2	Luton South and South Bedfordshire	297
3	Cities of London and Westminster	275
4	Aldershot	205
5	Stevenage	199
6	Salford	184
7	Derby South	177
8	Woking	124
9	South Antrim	111
10	Basildon and Billericay	97
11	Barrow and Furness	94
12	Ribble Valley	92
13	Hamble Valley	85
14	Yeovil	84
15	Filton and Bradley Stoke	81
16	Cannock Chase	64
17	Birmingham Ladywood	61
18	Cheadle	61
19	Portsmouth North	60
20	Rugby	57
21	Beaconsfield	56
22	Bristol South	55
23	Mid Derbyshire	52
24	Pontypridd	52
25	Glasgow South West	51
26	North East Hampshire	50
27	Swindon South	49
28	Wythenshawe and Sale East	49
29	North East Somerset and Hanham	48
30	Tewkesbury	47
31	Wetherby and Easingwold	43
32	Birkenhead	43
33	Havant	42
34	Christchurch	42
35	Sheffield Central	41
36	Manchester Central	38
37	Romsey and Southampton North	36
38	Huddersfield	34
39	Kingston and Surbiton	30
40	Maidenhead	30
41	Winchester	29
42	Glasgow North	29
43	Mid Dorset and North Poole	28
44	Earley and Woodley	27
45	South Dorset	26
46	Gosport	24
47	Jarrow and Gateshead East	24
48	Ellesmere Port and Bromborough	24
49	Stockton North	23
50	Preston	22

Appendix A

Fig. 42. contunued, BAE Systems Procurement spend by top 125 Westminster Parliamentary Constituencies

Rank by procurement	Westminster parliamentary constituency	Procurement spend, £ millions
51	Cheltenham	22
52	Feltham and Heston	21
53	Bermondsey and Old Southwark	21
54	Mid Sussex	21
55	Solihull West and Shirley	20
56	Halesowen	20
57	Poplar and Limehouse	20
58	East Wiltshire	20
59	Islington South and Finsbury	20
60	Southampton Test	19
61	Worsley and Eccles	19
62	Midlothian	19
63	Milton Keynes Central	18
64	Leeds South	18
65	Wokingham	18
66	Runnymede and Weybridge	18
67	Crawley	17
68	Warrington North	17
69	Surrey Heath	17
70	North Warwickshire and Bedworth	16
71	Hackney South and Shoreditch	16
72	Kingston upon Hull East	16
73	Eastleigh	16
74	Portsmouth South	16
75	Frome and East Somerset	15
76	Isle of Wight West	15
77	Epsom and Ewell	15
78	York Outer	15
79	Blackburn	15
80	Paisley and Renfrewshire North	14
81	York Central	14
82	Aberdeen North	14
83	Shrewsbury	14
84	Stockport	14
85	Bradford South	14
86	Bristol East	14
87	Glastonbury and Somerton	13
88	Great Grimsby and Cleethorpes	13
89	Uxbridge and South Ruislip	13
90	Newport West and Islwyn	13
91	Ossett and Denby Dale	12
92	Skipton and Ripon	12
93	Ashton-under-Lyne	12
94	Stoke-on-Trent Central	12
95	Chippenham	12
96	Bath	12
97	Leeds North West	12
98	Witney	11
99	Hastings and Rye	11
100	Oldham East and Saddleworth	11

Appendix A

Fig. 42. continued, BAE Systems Procurement spend by top 125 Westminster Constituencies

Rank by procurement	Westminster parliamentary constituency	Procurement spend, £ millions
101	Glasgow North East	11
102	Aberdeenshire North and Moray East	11
103	Harlow	11
104	Kensington and Bayswater	10
105	Lancaster and Wyre	10
106	Newcastle upon Tyne East and Wallsend	10
107	Redditch	10
108	Newbury	10
109	Warrington South	10
110	North West Leicestershire	10
111	Sheffield South East	10
112	Spelthorne	10
113	Warwick and Leamington	10
114	Daventry	10
115	Bromley and Biggin Hill	10
116	Bassetlaw	9
117	Sheffield Brightside and Hillsborough	9
118	Bristol Central	9
119	Ealing North	9
120	Glasgow East	9
121	Congleton	9
122	Mansfield	8
123	Coventry East	8
124	Fylde	8
125	Wolverhampton North East	8

Appendix A

Fig. 43. BAE Systems Full Time Equivalent employees' residency by top 20 Scottish Parliamentary Constituencies

Rank by employees	Scottish parliamentary constituency	Employees, FTE
1	Greenock and Inverclyde	340
2	Renfrewshire North and West	330
3	Glasgow Anniesland	310
4	Dumbarton	290
5	Clydebank and Milngavie	240
6	Glasgow Pollok	200
7	Paisley	180
8	Strathkelvin and Bearsden	170
9	Rutherglen	160
10	Renfrewshire South	150
11	Ayr	150
12	Kilmarnock and Irvine Valley	150
13	Cunninghame South	130
14	Glasgow Cathcart	130
15	Glasgow Kelvin	120
16	Glasgow Shettleston	110
17	East Kilbride	110
18	Cunninghame North	110
19	Eastwood	100
20	Moray	100

Fig. 44. BAE Systems' Procurement spend by top 20 Scottish Parliamentary Constituencies

Rank by procurement	Scottish parliamentary constituency	Procurement spend, £ millions
1	Edinburgh Northern and Leith	311
2	Glasgow Pollok	44
3	Glasgow Kelvin	27
4	Midlothian North and Musselburgh	19
5	Aberdeen Donside	15
6	East Kilbride	14
7	Renfrewshire North and West	13
8	Banffshire and Buchan Coast	11
9	Glasgow Shettleston	9
10	Glasgow Provan	8
11	Glasgow Southside	8
12	Edinburgh Central	6
13	Cowdenbeath	6
14	Glasgow Maryhill and Springburn	6
15	Glasgow Cathcart	5
16	Stirling	4
17	Perthshire South and Kinross-shire	3
18	Strathkelvin and Bearsden	2
19	Cunninghame South	2
20	Falkirk East	2

Appendix A

Fig. 45. BAE Systems Full Time Equivalent employees' residency by top 20 Welsh Senedd Constituencies

Rank by employees	Welsh Senedd constituency	Employees, FTE
1	Torfaen	210
2	Monmouth	150
3	Blaenau Gwent	90
4	Newport West	90
5	Ynys Môn	80
6	Islwyn	80
7	Newport East	60
8	Caerphilly	40
9	Alyn and Deeside	30
10	Cardiff North	30
11	Pontypridd	30
12	Cardiff Central	20
13	Merthyr Tydfil and Rhymney	20
14	Cardiff South and Penarth	20
15	Vale of Glamorgan	20
16	Cynon Valley	20
17	Bridgend	10
18	Cardiff West	10
19	Brecon and Radnorshire	10
20	Rhondda	10

Fig. 46. BAE Systems' Procurement spend by top 20 Welsh Senedd Constituencies

Rank by procurement	Welsh Senedd constituency	Procurement spend, £ millions
1	Pontypridd	50.8
2	Islwyn	10.9
3	Aberconwy	7.7
4	Vale of Clwyd	7.0
5	Monmouth	3.8
6	Alyn and Deeside	2.8
7	Torfaen	2.8
8	Newport West	2.3
9	Ynys Môn	2.1
10	Wrexham	1.4
11	Cardiff South and Penarth	1.3
12	Ogmore	1.2
13	Bridgend	1.2
14	Cynon Valley	1.1
15	Brecon and Radnorshire	1.0
16	Newport East	1.0
17	Caerphilly	1.0
18	Clwyd South	1.0
19	Cardiff Central	1.0
20	Swansea East	1.0

Appendix A

Fig. 47. BAE Systems Procurement Spend and Full Time Equivalent employees' residency by top 125 Local Authority Districts

Rank by procurement	Local authority district	Procurement spend, £ millions
1	City of Edinburgh	317
2	Luton	297
3	Derby	228
4	Rushmoor	205
5	Stevenage	199
6	Salford	198
7	Westminster	143
8	City of London	128
9	Woking	124
10	Somerset	114
11	Antrim and Newtownabbey	111
12	Westmorland and Furness	101
13	Glasgow City	99
14	Basildon	98
15	South Ribble	90
16	South Gloucestershire	82
17	Bristol, City of	78
18	Winchester	75
19	Stockport	75
20	Portsmouth	75
21	Leeds	73
22	Birmingham	71
23	Buckinghamshire	68
24	Cannock Chase	64
25	Sheffield	62
26	Dorset	61
27	Manchester	58
28	Rugby	57
29	Rhondda Cynon Taf	52
30	Swindon	52
31	Tewkesbury	51
32	Hart	49
33	Fareham	49
34	Wirral	48
35	Kirklees	47
36	Bournemouth, Christchurch and Poole	47
37	Havant	43
38	Trafford	42
39	Test Valley	40
40	Wiltshire	36
41	Wokingham	32
42	Kingston upon Thames	31
43	Bracknell Forest	29
44	York	29
45	Hounslow	28
46	Cheshire West and Chester	28
47	North Yorkshire	27
48	Warrington	27
49	Stockton-on-Tees	27
50	Tower Hamlets	24

Appendix A

Fig. 47. continued BAE Systems Procurement Spend by top 125 Local Authority Districts

Rank by employees	Local authority district	Procurement spend, £ millions
51	South Tyneside	23
52	Solihull	23
53	Preston	23
54	Dudley	22
55	Southampton	22
56	Cheltenham	22
57	Mid Sussex	22
58	Eastleigh	22
59	Southwark	21
60	Midlothian	19
61	Blackburn with Darwen	19
62	Vale of White Horse	17
63	Kingston upon Hull, City of	17
64	Milton Keynes	17
65	Crawley	17
66	Surrey Heath	17
67	Tameside	17
68	Hackney	16
69	Runnymede	16
70	Islington	16
71	Isle of Wight	16
72	Bradford	16
73	Stoke-on-Trent	16
74	Aberdeen City	15
75	North Warwickshire	15
76	South Lanarkshire	15
77	Oldham	14
78	Renfrewshire	14
79	Hillingdon	14
80	Mole Valley	14
81	North Northamptonshire	14
82	Shropshire	14
83	Reading	13
84	North East Lincolnshire	13
85	Gosport	13
86	Spelthorne	13
87	Newcastle upon Tyne	13
88	Aberdeenshire	13
89	Wolverhampton	13
90	Cheshire East	12
91	Bath and North East Somerset	12
92	Caerphilly	12
93	Chichester	12
94	County Durham	11
95	Hastings	11
96	West Berkshire	11
97	Coventry	11
98	Harlow	11
99	Warwick	10
100	Redditch	10

Appendix A

Fig. 47. continued BAE Systems Procurement Spend by top 125 Local Authority Districts

Rank by employees	Local authority district	Procurement spend, £ millions
101	North West Leicestershire	10
102	Bromley	10
103	Kensington and Chelsea	10
104	Bassetlaw	9
105	Ealing	9
106	Windsor and Maidenhead	9
107	Mansfield	8
108	Basingstoke and Deane	8
109	Darlington	8
110	Wyre	8
111	Halton	8
112	Cumberland	8
113	Chorley	8
114	Central Bedfordshire	8
115	Plymouth	8
116	Adur	8
117	South Cambridgeshire	8
118	Medway	8
119	Cambridge	8
120	Conwy	8
121	Pendle	8
122	New Forest	8
123	North Somerset	7
124	Bury	7
125	Fylde	7

Appendix B: Economic impact methodology

Economic impact modelling

Economic impact modelling is a standard tool used to quantify the economic contribution of an investment or a company. Impact analysis traces the economic contribution of an investment through three separate channels:

Direct impact refers to activity conducted directly by BAE Systems in the UK.

Indirect impact consists of activity that is supported because of the procurement of goods and services by BAE Systems in the UK, purchases by those companies in turn, and so on.

Induced impact reflects activity supported by the spending of wage income by direct and indirect workers.

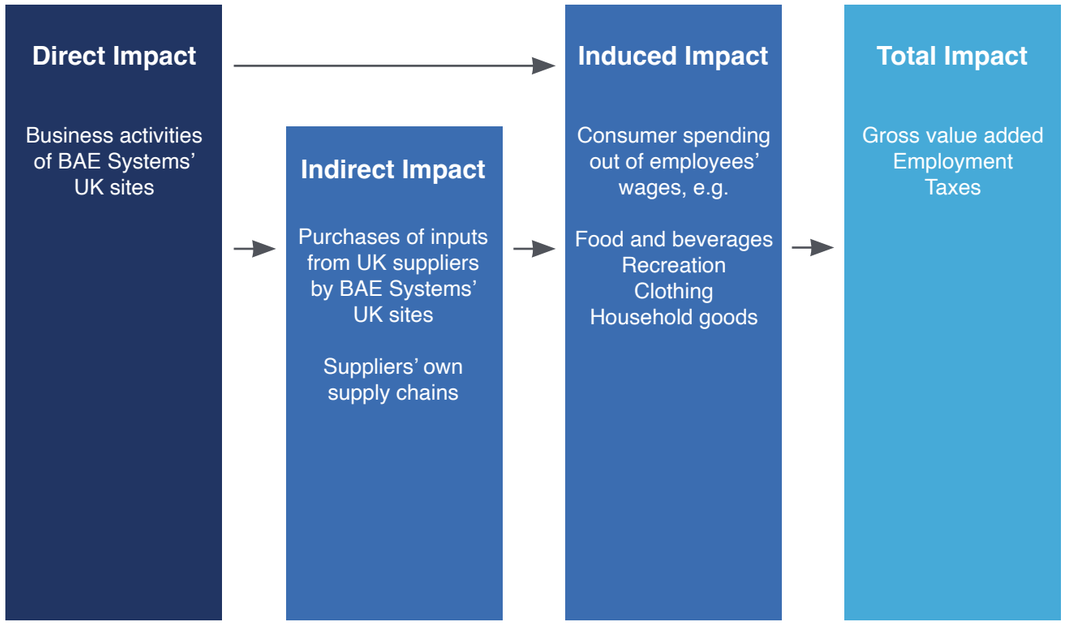


Fig. 1. Direct, indirect, induced, and total economic impacts

Direct impacts

The direct value added of BAE Systems is calculated as total UK revenues minus the cost of goods and services bought in, either domestically or from abroad. Value added per employee, a measure of productivity, is a figure derived from dividing direct value added by the number of FTE employees. Direct employment is comprised of employees of BAE Systems at year end 2024, and direct tax contributions represent the taxes paid by the Company over the year.

Indirect and induced impacts

Indirect and induced impacts are estimated using an input-output model. An input-output model gives a snapshot of an economy at any point in time. The model shows the major spending flows from "final demand" (i.e., consumer spending, government spending investment, and exports to the rest of the world); intermediate spending patterns (i.e., what each sector buys from every other sector—in other words, the supply chain); how much of that spending stays within the economy; and the distribution of income between employment and other forms such as corporate profits.

An input-output model uses a matrix representation of a nation's interconnected economy to calculate the effect of changes by consumers, by an industry, or by others, on other industries and therefore on the economy as a whole. These input-output tables ultimately measure "multiplier effects" of an industry by tracing the effects of its inter-industry transactions—that is the number value of goods and services that are needed (inputs) to produce each pound of output for the individual sector being studied. These models can be used to measure the relationship between an economic change or "shock," and the final outcome across the whole of the economy.

In essence an input-output model is a table which shows who buys what from whom in the economy.

Oxford Economics used the input-output analytical table for the United Kingdom for 2022, published by the ONS in 2025, for this analysis. This was the most recent dataset available at the time of analysis.

Direct, indirect, and induced employment figures in this report have been rounded, generally to two significant figures. The multipliers quoted in the report represent the multiple of direct impacts that account for total impacts. For instance, if 20 FTE jobs were direct impacts and the total impact multiplier was two, then the total impact would be 40 FTE jobs. These multipliers are calculated from the input-output model results.

Indirect jobs are presented including the contingent labour or contractors that BAE Systems hires. Data on these workers are obtained from the Company's HR systems, and spending on these workers from the Company's procurement systems. We assume that 10% of the spending on these workers is retained by employment agencies and inputted into our model as revenue for those firms. The remaining 90% is taken as employment income for the contractors, added to the Company's indirect GVA contribution, and modelled as part of the induced impact as the contractors spend their income.

Industry breakdowns

The UK input-output analytical table is divided into 105 different industry sectors, and the table shows how each sector interacts with the 104 other sectors. For purposes of illustration to show value added and employment supported across different sectors, the 105 different industries have been pooled into broad industry categories. For example, the professional services industry amalgamates the following sectors:

- Legal services
- Accounting, bookkeeping, and auditing services; tax consulting services
- Services of head offices; management consulting services
- Architectural and engineering services; technical testing and analysis services
- Scientific research and development services
- Advertising and market research services
- Other professional, scientific, and technical services

Regional models

The regional analysis in this study utilises a suite of bespoke input-output I-O models. These are based on the national UK input-output tables, as published by the ONS, but Oxford Economics then uses official regional employment data to adjust these, reflecting the industrial structure and productive capacity of each area.

Our methodology utilises so-called Flegg-adjusted Location Quotients (FLQs), which are consistent with the latest approaches and evidence in regional I-O modelling and regional science. These I-O models quantify the impact of supply chain demands over their entire length, including suppliers to these suppliers, and so on. The regional modules estimate the extent to which these demands can be met within each region or elsewhere in the UK.

About Oxford Economics

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries, and 8,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

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July 2025

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

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