

BAE Systems Corporate Responsibility Report 2009

Fighting to regain reputation

By Aleksandra Dobkowski-Joy

A chastened BAE Systems rededicates itself to responsible business conduct

Ethics fines – especially ones in the hundreds of millions of dollars – have a remarkable way of focusing corporate attention. As BAE Systems emerges from a costly settlement of investigations by the UK Serious Fraud Office and the US Department of Justice into improper corporate conduct in 2004 and 2007 respectively, the company has focused a substantial portion of its 2009 corporate responsibility report around its climb back to respectability.

Frequently referenced are the Woolf committee findings, released in May 2008. The Woolf committee was appointed by the BAE Systems board and comprised a panel of independent, external experts chaired by Lord Woolf. It was charged with determining how BAE Systems could become a leader in responsible business conduct. The committee's 23 recommendations now form the foundation for an intense three-year ethics turnaround programme at the company.

BAE Systems is wise to go into substantial detail with regard to its newly aligned ethics strategy. Indeed, the company may get a grudging nod for disclosing terminations due to ethics violations and openly sharing details of continued employee concerns about bringing ethics issues to management attention.

Culture change is admittedly very hard, and BAE Systems may continue to be challenged by long-standing patterns of behaviour. Future reports should include an unrelenting emphasis on rooting out unethical practices while cultivating a more transparent and accountable atmosphere.

The second focal area of BAE Systems' report is safety. The company has set an aggressive goal of "driving performance to a level comparable with the best performing global companies by the end of 2011". Similarly to ethics, a significant amount of culture change will be needed to achieve this goal, and BAE Systems gamely steps forth with difficult disclosures. The chief executive letter discusses an on-the-job fatality, and tables in the safety section show both the total number of serious injuries and the rate of lost work day cases – in both cases the statistics trend downwards.

BAE Systems has put some teeth into both its safety and ethics strategies. The report emphasises the critical role that the executive committee must play in providing direct and visible leadership – or stand to forfeit up to 13% of annual incentive compensation. This approach further cements an attitude of sincerity towards ethics and safety improvements, and will clearly be a metric of interest in future reports.

Unfortunately, BAE Systems neglects to devote

the same level of care to the environmental section of the report. Not only is the carbon data from 2008 (data for 2009 is due shortly), the company declines to report on any other environmental aspects. The omission of key metrics eviscerates the environmental discussion, especially as BAE Systems itself concedes that significant impacts are associated with the company's material and solvent use, waste generation, water use, and emissions of air pollutants such as volatile organic compounds.

BAE Systems claims its environmental management system duly addresses these issues and explains that "fluctuations in [these environmental aspects] are heavily influenced by programme status. We continue to monitor and manage this data at site and facility level, but no longer aggregate data at a group level." Regardless of "fluctuations", BAE Systems should return to disclosure of corporate-level performance data and, additionally, site-specific information, if it expects to maintain credibility with regard to its environmental commitment.

In two other focal sections, BAE Systems reports on "workplace", mostly as represented through a discussion of diversity across BAE Systems' global operations, and on "community", highlighting issues such as local outreach and engagement with various charitable organisations. Chiefly of interest here is BAE Systems' decision to assist key suppliers to weather the ongoing economic storm by instituting flexible payment schedules and advance ordering. These actions may be seen as helping others to help itself, perhaps, but certainly those suppliers at risk of insolvency will appreciate BAE Systems' support.

Don't mention the war

Reaching the end of the report, astute readers will note that, barring a brief mention of charitable activity directed towards troops, their families, and veterans, BAE Systems manages to tiptoe around the whole nasty business of war itself – the very plague that serves as a fundamental driver for the company's existence.

BAE Systems could consider a whole range of approaches in speaking about global conflict and its profound societal, environmental, and economic impacts. There are many reasons, both ethical and sustainability-rooted, why a corporate responsibility report would be an ideal platform for even the briefest of statements. And yet – nothing.

One hopes that given BAE Systems' newfound fervour for responsible business conduct, the company will realise that silence, now and in future reports, is surely not the right approach. ■



Snapshot

Follows GRI? No

Assured? Yes

Materiality analysis? Ethics and safety cited as key material issues. No details on methodology.

Goals? Yes

Targets? Yes

Stakeholder input? Not evident, briefly mentioned in assurance statement.

Seeks feedback? Includes email address.

Key strengths? Extensive discussion and transparency around corporate responsibility management, roles and responsibilities.

Chief weakness?

Decision to omit all environmental statistics except for greenhouse data.

Pleasant surprise?

Direct linkage of annual executive incentive to ethics and safety performance.

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