

# Social Security Advisory Board Extending the Working Life of Older Americans Employer Perspective - BAE Systems, Inc.

January 18, 2008

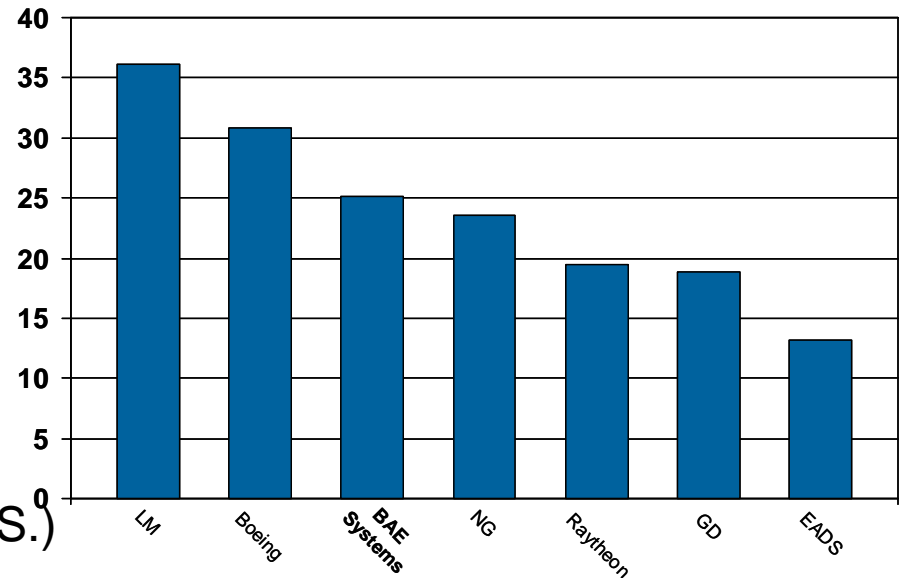


# One of the world's largest defense companies

- BAE Systems plc
  - 96,000 employees
  - \$62B order book
  - \$27B annual sales
  - 3<sup>rd</sup> largest global defense company
  - Top-ten U.S. prime contractor
  - Six home nations
  - Presence in more than 100 nations

- BAE Systems, Inc.
  - 52,000 employees (43,000 in the U.S.)
  - \$14B annual sales
  - Operations in 38 states, the UK, Sweden, Israel, Germany, Mexico, Switzerland, and South Africa
  - A U.S. company chartered in Delaware

**Defense News Top 100 List**  
Based on 2006 Revenues

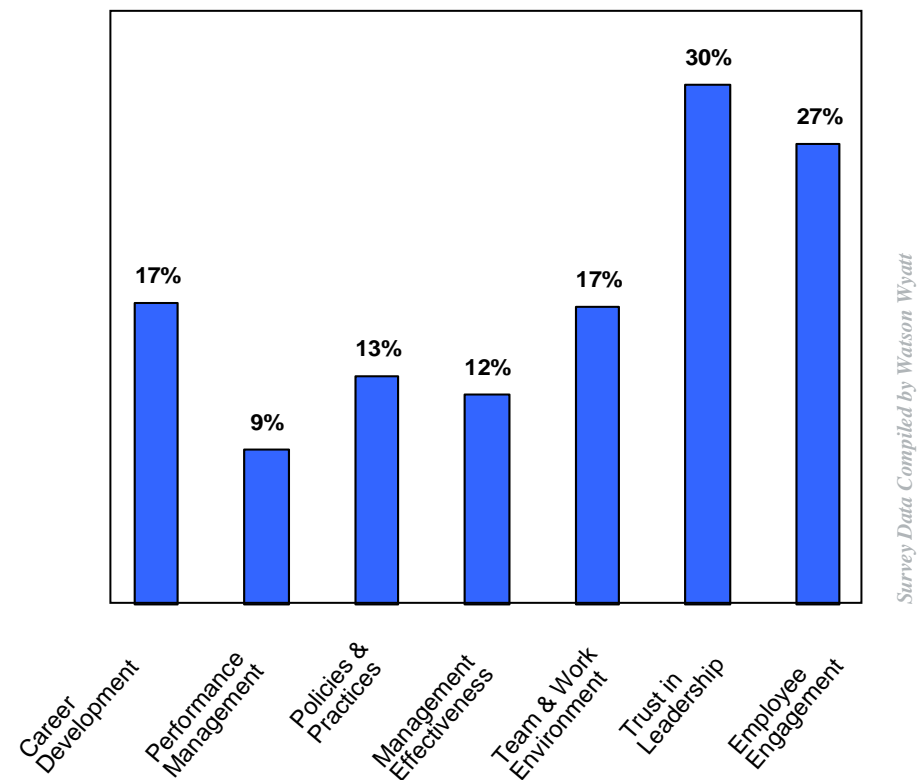


**A truly global company with a balance of employees, shareholders, and business portfolios in the U.S., UK and Rest of World (RoW)**

# Strong employee survey results – above all industry norms

- Employee engagement scores meet or exceed the global high performance benchmark
- Results reflect the high value employees place on meeting customer needs, goal achievement and teamwork
- Employees express strong commitment to ethics and business conduct, community involvement and employee development

2006 Employee Opinion Survey  
% greater than Aerospace Industry Norms

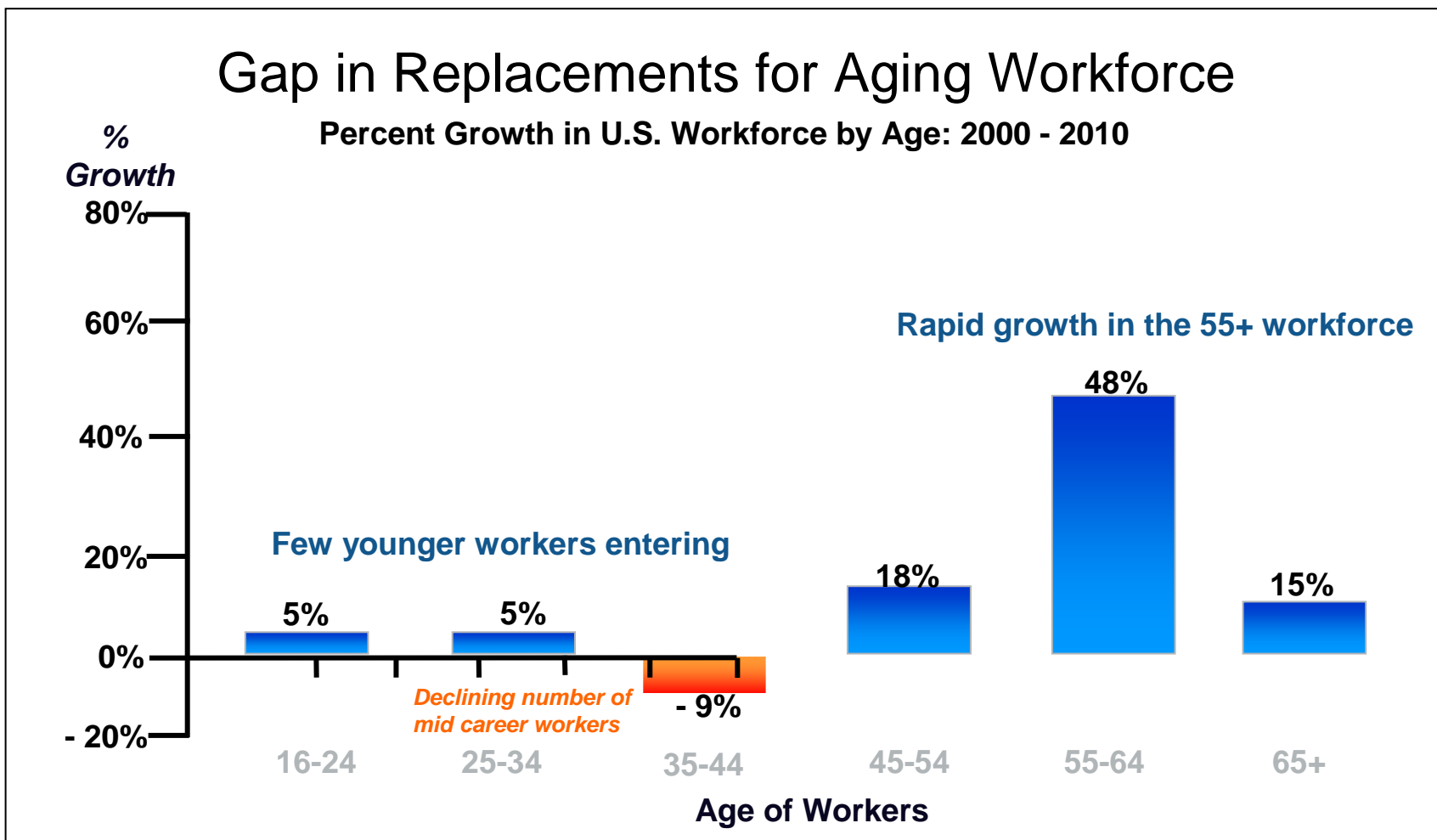


# Attracting and retaining talent is key to our success

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- Assessment
  - Assess current and future talent needs
  - Evaluate the internal and external pool of candidates and identify gaps
  
- Programs
  - Develop programs and practices to close gaps
  - Fill gaps through hiring and/or extending careers
  - Consider flexible solutions – one size does not fit all
  
- People
  - Educate employees as they near retirement – costs, benefits and options
  - Facilitate resource planning and transfer of knowledge
  - Create a win/win for employees and the company

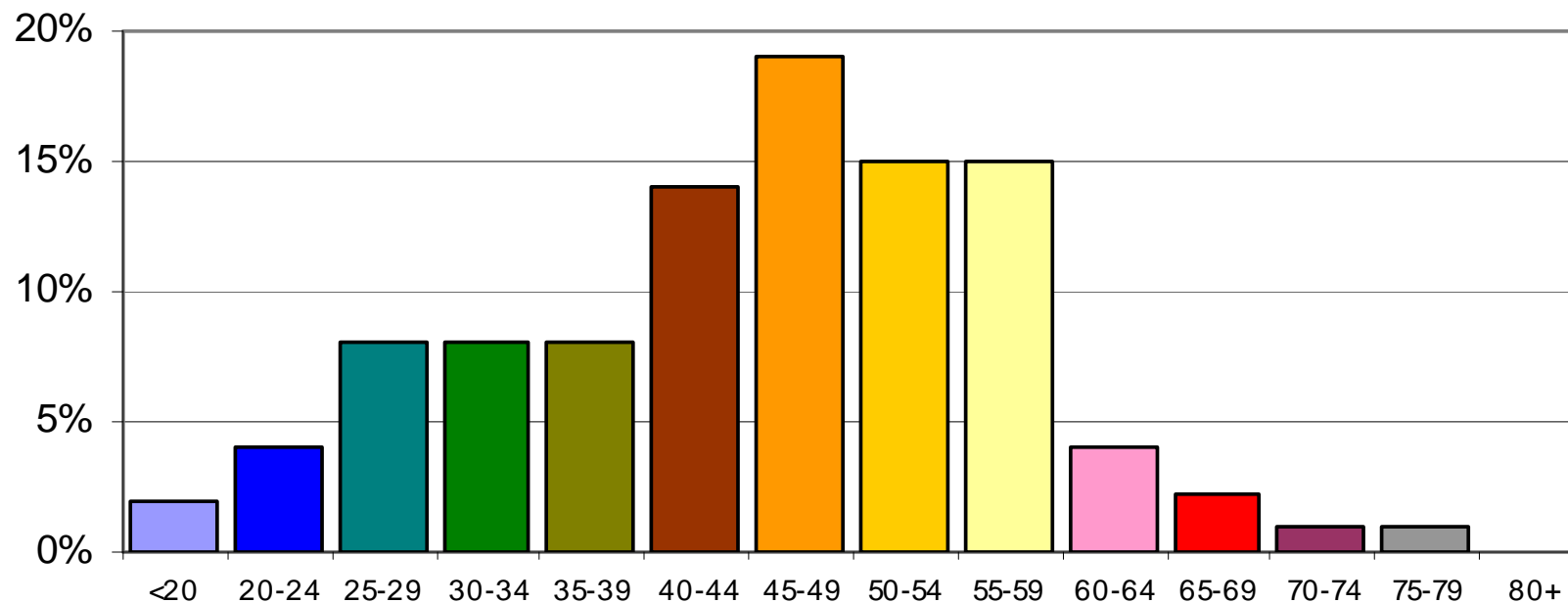
# Growing imbalance of U.S. workforce



Source: U.S. Census Bureau

# Assessment of workforce demographics

## BAE Systems Employees by Age Band



**We employ a broad spectrum of ages, and a growing number are eligible to retire within five years.**

## Assessment - future gaps identified

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- Interviewed line leaders to identify resource risks
- Internal review of retirement scenarios over next five years
  - Potential critical skill gaps
  - Small pockets of skills/knowledge at risk
  - Key customer relationships at risk
- Gaps differed by business segment and function
  - Skilled trade labor
  - Highly qualified/cleared engineers

**Just asking line leaders to identify risk areas heightened awareness that we need to pay attention to these resources.**

# Resource management programs

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- Utilize retention and succession programs to encourage skill/knowledge transfer
  - Flexible work schedules – 9/80, part time
  - Coaching, mentoring and apprenticeships
  - Contract arrangements
  
- Thoughtfully orchestrate the work environment
  
- Institutionalize talent management
  - Conduct annual reviews to identify trends
  - Identify critical resource risks and develop mitigation plans
  - Clearly define talent management accountability
    - Require talent management objectives
    - Establish specific metrics for success for mentors and coaches
  - Best practices should be recognized, shared and rewarded



# People

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- Educate employees regarding retirement
  - Modeling tools to estimate retirement costs and income
  - Consider options to extend careers beyond what was originally planned
- Educate managers
  - Awareness of potential pockets of skills, knowledge and customer risks
  - Explore potential solutions to extend service or bridge gaps
  - Focus on workforce engagement
  - Leverage best practices
- Identify, communicate and reinforce key values

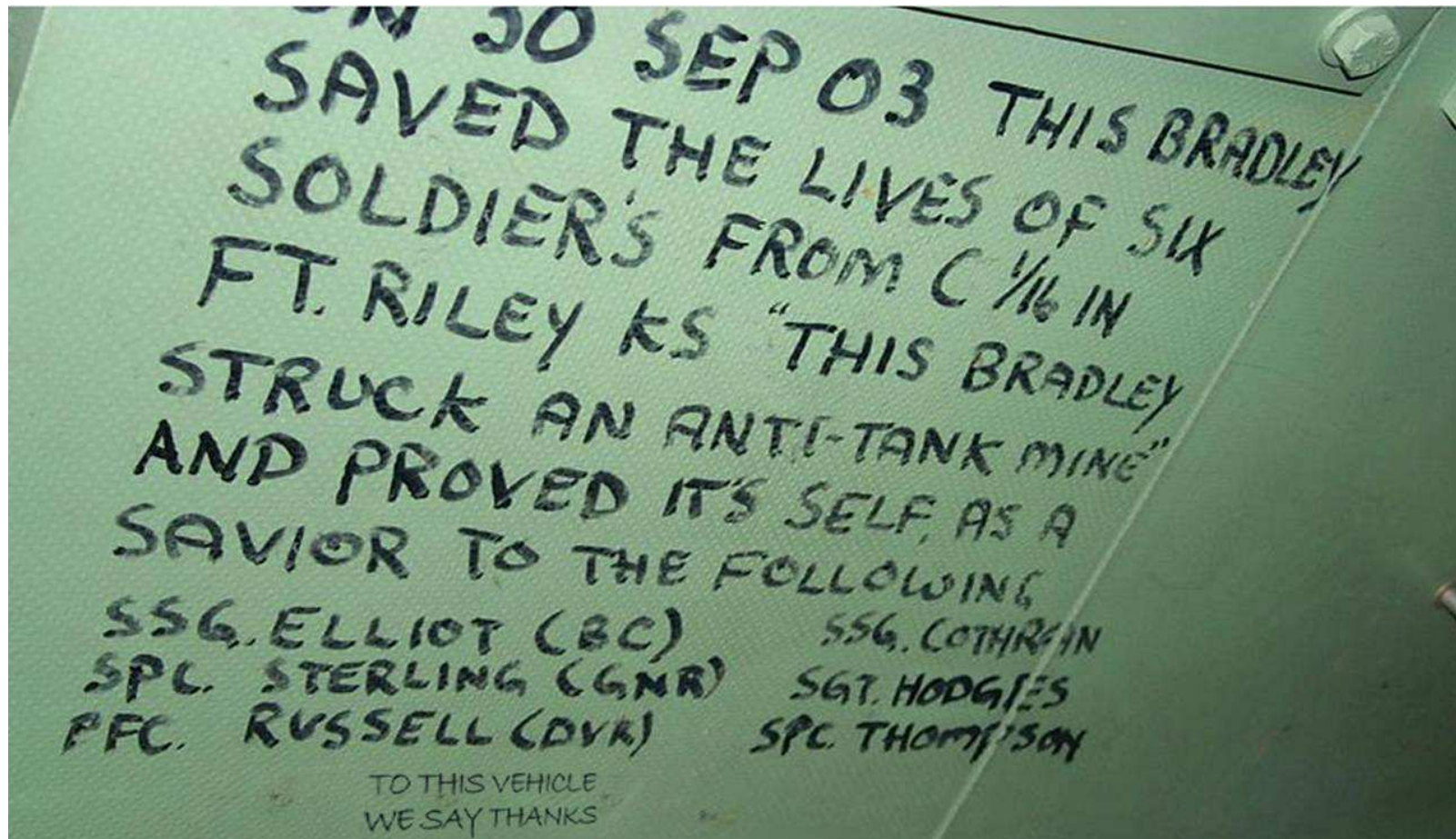
**Creating a win/win for employees and the company takes effort,  
but can be rewarding for both.**

## Final thoughts

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- Awareness and understanding of the talent pool is key
- Assessments are not sufficient – focus on workforce optimization
- Time and resources must be budgeted to effectively manage people
- Connect individual roles to achieving the mission

## Why we do what we do...



**We Protect Those Who Protect Us.®**