



UK DEFENCE

ESG CHARTER

INAUGURAL SIGNATORIES

AIRBUS

babcock™

BAE SYSTEMS

 **LEONARDO**

MBDA

QINETIQ

THALES

FOREWORD

Our times are defined by an increasingly complex geopolitical threat landscape, whether that's in defence, diplomacy, economics, or our environmental stability. In such an uncertain context, the UK defence sector is critical in ensuring our national security, our innovation edge, our ability to be a global leader and ally, as well as the stability of our society and economy. The 2022 invasion of Ukraine reminded us of these imperatives and offered a first-hand demonstration of how our defence sector provides what is needed for safety, security and stability, which is crucial if the UK is to remain at the forefront in tackling some of the biggest global challenges.

Our armed forces must, therefore, continue to be agile, responsive, and ready to address an ever-evolving mix of threats. You will find our defence sector wherever a threat arises: protecting us at home in the face of geopolitical instability, enabling our allies to respond to threats of invasion, and even allowing us to monitor the effects of climate change.

As a sector, defence looks to provide the highest-quality products it can to UK servicemen and women. This includes supporting our armed forces and the UK Ministry of Defence in their imperatives to decarbonise, reduce environmental impact, and address climate change as a critical element of our nation's future security challenges. We know that climate impacts and scarce resources can all too quickly spill into conflict. We see new frontiers being drawn around the control of critical minerals – vital to support clean technology and transition, but a topic that must be treated sensitively as nations compete for these resources. To combat climate change, nations require security, robust and reliable civil institutions, and sectors with the commitment and financial resources to drive innovation. A strong defence sector can help ensure all of these conditions are met, and we are ready to put our long track record of creativity and invention – that has brought the world developments from penicillin to the domestic microwave – at the service of creating a sustainable future and clean technologies.

The UK defence sector believes that sustainability and national security are intertwined imperatives and is actively responding to the challenges of climate

change and broader sustainability issues. The sector is embracing this step-change in how it must think about military capabilities, as well as working with commercial and civilian partners in the development of cleaner and more efficient technologies. We are continuously looking for opportunities to harness the potential operational advantages of these innovations, ensuring our sector remains competitive, our military's on-the-ground needs and safety are not compromised, and that we simultaneously play our part in realising a sustainable future.

The sector has already made substantial investments in decarbonisation and its broader sustainability efforts, ensuring environmental considerations are considered in innovation, product design and life-cycle planning. Addressing broader societal and governance issues alongside this environmental progress demands a holistic approach and strong collaboration across the defence industry value chain. The sector is committed to taking proactive steps to reduce its environmental footprint. It is already changing how its operations are powered, investing in developing new technologies for use on the battlefield, building the workforce of the future, reducing the STEM skills shortage, and fostering a more diverse and inclusive workforce, to name just a few examples.

Therefore, I am honoured to introduce the UK Defence ESG Charter, a testament to the sector's commitment to shaping a sustainable and resilient future for itself. Crucially, this charter aims to engage all levels of the supply chain. We recognise that sustainability is not the responsibility of a single organisation but an effort that requires collective action.

From the smallest supplier to the largest defence contractor, each entity in our ecosystem has a vital role to play in reducing our carbon footprint, in promoting ethical practices, and in fostering diversity, equality and inclusion, so together we can build a stronger, fairer, and more prosperous nation.

Kevin Craven
CEO, ADS Group

BACKGROUND

The defence industry plays an essential role in the security, prosperity, and stability of the United Kingdom. Our work to help our nation deliver its first responsibility of security is obvious, but we know that our responsibility to impact society for the better goes well beyond security.

The UK Defence ESG Charter is a collaborative effort by the UK's defence sector that aims to drive ambition and action on sustainability. This approach will enable an industry response to ESG challenges and concentrate our focus on continuous improvement and progress. To demonstrate credibility and leadership in this space, UK Chief Executive Officers and Managing Directors have signed the Charter to demonstrate their organisation's commitment at the highest level to deliver real change across these issues.

While this will be a long journey and there is much more work to be done, signatories of the UK Defence ESG Charter are dedicated to working together to meet the most pressing challenges across three key pillars.

The themes highlighted in the Charter have been thoughtfully selected because they are areas where the sector can have a significant impact, but we know that the ESG landscape will continue to evolve. Therefore, this Charter is designed to remain flexible and adaptable, to reflect changing priorities.

Each pillar has a broad ambition statement that summarises the intent of the sector's work across that pillar. Below this then sits a series of more specific Statements of Intent that articulate the industry's three core focus areas for that pillar. The statements have been co-created between ADS and its members through an ESG working group that has helped to define the scope, ambition and level of commitment for each statement.

ADS will act as the secretariat of the Charter, helping to bring members together and create opportunities for knowledge sharing and collaboration.

1

Climate transition and clean tech

Decarbonisation of the value chain (scope 1, 2, and 3 emissions)

Contribution to clean technologies

Critical mineral management

2

Societal impact

Diversity, equality and inclusion

Skills (STEM)

Impactful partnerships

3

Governance and ethics

Cyber security and resilience

Responsible product trading and export

Sovereign capabilities

RESPONSIBLE BUSINESS FUNDAMENTALS

In addition, while the Charter aims to serve as a unifying tool, it does not take away the need for signatories' individual ESG commitments and strategies. Each signatory remains dedicated to delivering its own ESG strategy, underpinned by responsible business practices, the high standards of governance and the sector-specific considerations required for operational success.

Responsible business fundamentals therefore underpin our UK Defence ESG Charter.

Our signatories commit to continue:

- building resilience into their business operations
- paying suppliers promptly
- influencing their supply chain to operate as responsible businesses
- promote and respect the human rights of everyone within their supply chain
- being compliant and ethical businesses
- implementing appropriate governance to deliver their responsible business commitments
- improving the health and safety conditions for employees across their workforce
- upholding their Modern Slavery statements
- promoting responsible resource management across their supply chain and enforcing their supplier codes of conduct in this area
- working with government and industry on supply chain resilience
- supporting their workforce's health and wellbeing, promoting access to services to support employees
- taking an active role, where possible, in environmental stewardship across their operations
- respecting the labour and workplace rights of their employees in accordance with national laws

Given the nature of the defence sector, the industry recognises that it also faces additional expectations from its customers to ensure that it is acting as a responsible business, so alongside the actions set out on the left, **our signatories also commit to continuing to:**

- deliver against their Anti-Bribery policy to ensure adherence to regulatory requirements, ensuring that ethics and responsible business practices are embedded across the company
- commit to responsible product trading
- deliver economic impact and prosperity across the UK
- support the Government's social value framework, helping to deliver societal benefits to communities and individuals across the UK
- ensure export control and adherence according to UK law

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COMMITMENTS

1

Climate transition and clean tech

Across the defence sector's value chain, industry is focused on decarbonising operations and developing products that are more climate aware, environmentally sound and that reduce emissions. We are also ensuring that we help deliver new technology that will improve how we meet the defence and security challenges of the future.

Therefore, the sector aims to meet defence's operational and sovereign requirements while supporting decarbonisation and contribution to clean and innovative technologies by:

- 1** Supporting the UK's commitment to net zero by 2050, working together as an industry to reduce our carbon emissions across our own operations and the wider value chain
- 2** Advancing the sector's contribution to clean and innovative technologies
- 3** Increasing supply chain resilience and mitigating environmental impact by including the traceability of critical mineral resources and substances used in the supply chain

COMMITMENTS

2

Societal impact

The sector is resolute in its ambition to close the UK's Science, Technology, Engineering and Maths (STEM) skills gap, attracting, developing, and retaining a new generation of diverse talent. We also acknowledge the importance of building lasting positive social impact throughout our value chains and in the communities where we operate.

Therefore, the sector aims to enhance our economic and social impact by:

- 1** Working together and individually to improve the diversity, equality, inclusion, and representation of our workforce at all levels
- 2** Inspiring the next generation and helping the UK address intergenerational skills shortages in STEM disciplines through outreach programmes and broader initiatives at all levels of education across the country
- 3** Building and strengthening meaningful partnerships with our local communities, the armed forces, academic institutions and other stakeholder organisations



COMMITMENTS

3

Governance and ethics

The UK defence sector is highly regulated, operating under one of the world's strictest export and licensing regimes. We understand that it is essential for us to adhere to the very highest standards of governance and ethics.

Therefore, the sector will continue to uphold high standards of governance and ethics by:

- 1** Continuing to build and contribute to greater cyber resilience, to ensure that the UK can maintain operational independence across its critical national infrastructure
- 2** Continuing to work with stakeholders to improve and sustain a strict, efficient and comprehensive export control system, including carefully assessing the associated risks of existing and potential end-customers
- 3** Supporting economic growth across the country and improving the competitiveness of the UK in the global market, sustaining and growing sovereign capability and skills for the future in those areas most critical to the defence and security of the nation



NEXT STEPS

Upon its release, the UK Defence ESG Charter will be made available to all companies in the UK defence supply chain to sign. Alongside ADS, the inaugural signatories will encourage SMEs in their supply chains to commit to the Charter. It is not our expectation that SMEs will be able to comply with all elements immediately, but ADS and its members with established ESG programmes will help SMEs to develop and implement effective ESG strategies through a tailored mix of useful resources and hands-on support.

As the number of signatories grows, to ensure credibility and demonstrate transparency, showcasing that the sector has collectively made progress on each statement of intent year after year will become both increasingly crucial

and complex. The signatories of the Charter, alongside ADS, are committed to transparency and evidencing the work they're doing to address the selected material ESG areas. This will be done through provision of case studies from individual signatories and, as the signatory base grows in the years to come, through an annual progress report.

ADS and signatories will work together to develop an evidence mechanism, underpinned with high standards of data governance that demonstrates the breadth of work ongoing across the sector's value chain, where we are making progress and where we are not. To track their individual progress and efforts being made now, we encourage you to visit our signatories' websites and review their own reports on these matters.