

BAE SYSTEMS PLC

**RULES OF THE BAE SYSTEMS
RESTRICTED SHARE PLAN 2011**

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| Directors' Adoption: | [date] 2011 |
| Shareholders' Approval: | [date] 2011 |
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Linklaters

Linklaters LLP
One Silk Street
London EC2Y 8HQ

Telephone (+44) 20 7456 2000
Facsimile (+44) 20 7456 2222

Ref 01/140/G Chapman/R Berglund

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Rules of the BAE SYSTEMS plc Restricted Share Plan 2011

1 Granting Awards

1.1 Grantor

The Grantor of an Award must be the Company, any other Member of the Group or a trustee of any trust set up for the benefit of Employees.

An Award granted under the Plan, and the terms of that Award, must be approved in advance by the Directors.

1.2 Eligibility

The Grantor may grant an Award to anyone who is an Employee on the Award Date in accordance with any selection criteria that the Directors in their discretion may set.

However, unless the Directors consider that special circumstances exist, an Award may not be granted to an Employee who on the Award Date has given or received notice of termination of employment, whether or not such termination is lawful.

1.3 Timing of Award

Awards may only be granted within 42 days starting on any of the following:

- 1.3.1 the day after the announcement of the Company's results for any period;
- 1.3.2 the lifting of Dealing Restrictions which prevented the granting of Awards during any period specified above; or
- 1.3.3 any day on which the Directors resolve that exceptional circumstances exist which justify the grant of Awards.

Awards may not be granted at any time after the Expiry Date.

1.4 Terms of Awards

Awards are subject to the rules of the Plan, any Performance Condition and any other condition imposed under rule 1.6 (Other conditions) and must be granted by deed. The terms of the Award must be determined by the Grantor and approved by the Directors. The terms must be set out in the deed or any other document (which may be in electronic form), including:

- 1.4.1 whether the Award is:
 - (i) a Conditional Award; and/or
 - (ii) an Option;
- 1.4.2 the number of Shares subject to the Award or the basis on which the number of Shares subject to the Award will be calculated;
- 1.4.3 any Performance Condition;
- 1.4.4 any other condition specified under rule 1.6 (Other conditions);
- 1.4.5 the date of Vesting;
- 1.4.6 whether the Participant is entitled to receive any Dividend Equivalent;

- 1.4.7 the Award Date; and
- 1.4.8 the Option Price (if any), provided that, except with respect to Options granted to US Taxpayers, the Directors may waive such Option Price on or prior to the exercise of the Option.

1.5 Performance Conditions

When granting an Award, the Grantor may make its Vesting conditional on the satisfaction of one or more conditions linked to performance. A Performance Condition must be objective and specified at the Award Date. The Grantor, with the consent of the Directors, may waive or change a Performance Condition in accordance with its terms or if anything happens which causes the Grantor reasonably to consider it appropriate to do so.

1.6 Other conditions

The Grantor may impose other conditions when granting an Award. Any condition must be specified at the Award Date and may provide that an Award will lapse if it is not satisfied. The Grantor, with the consent of the Directors, may waive or change a condition imposed under this rule 1.6.

1.7 Award certificates

Each Participant will receive a certificate setting out the terms of the Award as soon as practicable after the Award Date. The certificate may be the deed referred to in rule 1.4 (Terms of Awards) or any other document (which may be in electronic form). If any certificate is lost or damaged the Company may replace it on such terms as it decides.

1.8 No payment

A Participant is not required to pay for the grant of an Award.

1.9 Administrative errors

If the Grantor grants an Award which is inconsistent with rule 1.2 (Eligibility), it will lapse immediately.

If the Grantor tries to grant an Award which is inconsistent with rules 1.10 (Individual limit), 1.11 (Plan limits – 10 per cent) or 1.12 (Plan limits – 5 per cent), the Award will be limited, and will take effect from the Award Date, on a basis consistent with those rules.

1.10 Individual limit

An Award must not be granted to an Employee if it would, at the proposed Award Date, cause the market value of Shares subject to Awards that he has been granted in respect of that financial year under the Plan to exceed 200% of his annual basic salary from Members of the Group. For these purposes, market value will be determined by the Directors and may be determined by reference to share price averaged over a period as specified by the Directors.

“Basic salary” means gross base salary excluding benefits in kind expressed as an annual rate payable on the Award Date. Basic salary payable in a currency other than sterling will be converted into sterling by using any rate of exchange which the Directors may reasonably select.

1.11 Plan limits - 10 per cent

A Grantor must not grant an Award if the number of Shares committed to be issued under that Award exceeds 10 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or awards or option under any other employee share plan operated by the Company granted in the previous 10 years.

1.12 Plan limits - 5 per cent

A Grantor must not grant an Award if the number of Shares committed to be issued under that Award exceeds 5 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or awards or options under any other discretionary employee share plan adopted by the Company granted in the previous 10 years.

1.13 Scope of Plan limits

Where the right to acquire Shares is released or lapses, the Shares concerned are ignored when calculating the limits in rules 1.11 (Plan limits – 10 per cent) and 1.12 (Plan limits – 5 per cent).

As long as so required by the Association of British Insurers, Shares transferred from treasury are counted as part of the ordinary share capital of the Company and as Shares issued by the Company.

1.14 Listing Rules

No Shares will be issued under the Plan if it would cause Listing Rule 6.1.19 (*shares in public hands*) to be breached.

2 Before Vesting

2.1 Rights

A Participant is not entitled to vote, to receive dividends or to have any other rights of a shareholder in respect of Shares subject to an Award until the Shares are issued or transferred to the Participant.

2.2 Transfer and bankruptcy

A Participant may not transfer, assign or otherwise dispose of an Award or any rights in respect of it. If he does, whether voluntarily or involuntarily, then it will immediately lapse. This rule 2.2 does not apply to the transmission of an Award on the death of a Participant to his personal representatives

Except to the extent prohibited by law, an Award will lapse immediately if a Participant is declared bankrupt.

2.3 Adjustment of Awards

If there is:

- 2.3.1 a variation in the equity share capital of the Company, including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital;
- 2.3.2 a demerger (in whatever form) or exempt distribution by virtue of Section 1075 of the Corporation Tax Act 2010;
- 2.3.3 a special dividend or distribution, or
- 2.3.4 any other corporate event which might affect the current or future value of any Award,

the Directors may adjust the number or class of Shares or securities subject to an Award and, in the case of an Option, the Option Price in such way as they consider appropriate.

2.4 Reduction or cancellation of Award

- 2.4.1 At any time before Vesting, the Directors may, in their absolute discretion, reduce an Award, determine that an Award or any part of it will not Vest or defer Vesting on such terms as they consider appropriate as a result of any matter set out in rules 2.4.2 or 2.4.3 below.
- 2.4.2 Where:
 - (i) rule 2.4.3 applies;
 - (ii) in respect of any financial year of the Vesting Period, the Company's results announced for that financial year are subsequently restated or are otherwise determined by the Directors to be inaccurate or misleading (in each case other than in an immaterial manner); and/or
 - (iii) the Directors otherwise consider that the measurement of the Performance Condition does not reflect the actual performance of the Company over the Performance Period.
- 2.4.3 This rule 2.4.3 applies if, at any time prior to Vesting:
 - (i) the Participant's employer is entitled to terminate the Participant's employment for cause; or
 - (ii) the Participant's employer has reasonable grounds to believe that the Participant has behaved in a way which would entitle the Participant's employer to terminate the Participant's employment for cause, provided that no decision by the Directors shall be taken until after the Participant's employer has: (a) completed its usual process for considering the alleged behaviour and its impact on the Participant's continued employment, and (b) then concluded that the behaviour is sufficient to merit termination for cause.

3 Vesting of Awards

3.1 Satisfying conditions

As soon as reasonably practicable after the end of the Performance Period, the Directors will, if necessary, determine whether and to what extent any Performance Condition or other condition imposed under rule 1.6 (Other conditions) has been satisfied or waived and how many Shares Vest for each Award.

3.2 Timing of Vesting – Award not subject to Performance Condition

Where an Award is not subject to a Performance Condition, subject to rules 1.6 (Other conditions), 5 (Vesting in other circumstances – personal events) and 6 (Vesting in other circumstances – corporate events), an Award Vests on the date of Vesting set by the Directors on the grant of the Award or, if on that date a Dealing Restriction applies to that Award, that Award Vests on the first date on which such Dealing Restriction ceases to apply.

3.3 Timing of Vesting – Award subject to Performance Condition

Where an Award is subject to a Performance Condition, subject to rules 1.6 (Other conditions), 5 (Vesting in other circumstances – personal events) and 6 (Vesting in other circumstances – corporate events), an Award Vests, to the extent determined under rule 3.1 (Satisfying conditions), on the date on which the Directors make their determination under rule 3.1 (Satisfying conditions) or, if on that date a Dealing Restriction applies to that Award, that Award Vests on the first date on which such Dealing Restriction ceases to apply.

3.4 Lapse

To the extent that any Performance Condition is not satisfied at the end of the Performance Period, the Award lapses, unless otherwise specified in the Performance Condition. To the extent that any other condition is not satisfied, the Award will lapse if so specified in the terms of that condition.

If an Award lapses under the Plan, it cannot Vest and a Participant has no rights in respect of it.

4 Consequences of Vesting

4.1 Conditional Awards

Within 30 days of a Conditional Award Vesting, the Grantor will arrange (subject to rules 4.4 (Cash and share alternative), 4.5 (Withholding) and 8.8 (Consents)) for the transfer, including a transfer out of treasury, or issue to, or to the order of, the Participant of the number of Shares in respect of which the Award has Vested. Notwithstanding the foregoing, if Vesting of a Conditional Award granted to a US Taxpayer is delayed under rules 3.2 or 3.3 due to a Dealing Restriction applying on the date originally set for Vesting, the Shares underlying the Conditional Award will be transferred no later than March 15 of the calendar year following the calendar year in which the date originally set for Vesting occurs.

4.2 Options

- 4.2.1** A Participant may exercise his Option in respect of the number of Shares which have Vested from the date of Vesting until the day before the seventh anniversary of the Award Date. The Participant may exercise his Option by giving notice in the prescribed form to the Grantor or any person nominated by the Grantor and paying the Option Price (if any). The exercise will take effect only when the Company has received the notice of exercise.
- 4.2.2** The Option will lapse at the end of the period above or, if earlier, on the earliest of:

- (i) the date the Participant ceases to be an Employee by reason of resignation or dismissal for gross misconduct; or
- (ii) six months after an event which gives rise to Vesting under rules 5.2 ("Good leavers") and 5.5 (Overseas transfer); or
- (iii) one month, or such other period as the Directors may decide, after an event which gives rise to a Vesting under rules 6 (Vesting in other circumstances – corporate events).

4.2.3 An Option may be exercised in whole or in part.

4.2.4 Subject to rules 4.4 (Cash and share alternative), 4.5 (Withholding) and 8.8 (Consents), the Grantor will arrange for Shares to be transferred or issued to, or to the order of, the Participant within 30 days of the date on which the Option is exercised.

4.2.5 If an Option Vests under more than one provision of the rules of the Plan, the provision resulting in the shortest exercise period will prevail.

4.3 Dividend Equivalent

An Award, except an Option granted to a US Taxpayer, may include the right to receive a Dividend Equivalent which may be paid in cash or Shares (as determined from time to time by the Grantor with the consent of the Directors). Dividend Equivalents will be paid to any relevant Participant as soon as practicable after Vesting or exercise. For the avoidance of doubt, the Dividend Equivalent does not include the tax credit and the Directors may determine from time to time that Dividend Equivalents will not be paid in respect of all or part of a special dividend or other distribution.

4.4 Cash and share alternative

The Grantor may, subject to the approval of the Directors, decide to satisfy a Conditional Award or an Option by paying an equivalent amount in cash (subject to rule 4.5 (Withholding)).

The Company may determine that an Award will be satisfied in cash at the Award Date or at any time before satisfaction of the Award, including after Vesting or, in the case of an Option, after exercise. In respect of Awards which consist of a right to receive a cash amount, the Directors may decide instead to satisfy such Awards (and any Dividend Equivalents) by the delivery of Shares (subject to rule 4.5 (Withholding)). The number of Shares will be calculated by reference to the market value of the Shares on the date of Vesting for Conditional Awards and the date of exercise for Options.

4.5 Withholding

The Company, the Grantor, any employing company or trustee of any employee benefit trust may withhold such amount and make such arrangements as it considers necessary to meet any liability to taxation or social security contributions in respect of Awards. These arrangements may include the sale or reduction in number of any Shares or the Participant discharging the liability himself.

5 Vesting in other circumstances - personal events

5.1 General rule on leaving employment

- 5.1.1 Unless rule 5.2 ("Good leavers") applies, an Award which has not Vested will lapse on the date the Participant ceases to be an Employee.
- 5.1.2 The Directors may decide that an Award which has not Vested will lapse on the date on which the Participant gives or receives notice of termination of his employment with any Member of the Group (whether or not such termination is lawful), unless the reason for giving or receiving notice is one listed in rule 5.2.1 below.

5.2 "Good leavers"

- 5.2.1 If a Participant ceases to be an Employee for any of the reasons set out below, then his Awards will Vest as described in rules 5.3 (Vesting – Award not subject to Performance Condition) and 5.4 (Vesting – Award subject to Performance Condition) and lapse as to the balance. The reasons are:
 - (i) injury or disability, as established to the satisfaction of the Company;
 - (ii) the Participant's employing company ceasing to be a Member of the Group;
 - (iii) a transfer of the undertaking, or the part of the undertaking, in which the Participant works to a person which is not a Member of the Group;
 - (iv) death;
 - (v) redundancy, but only in circumstances which give rise to a redundancy payment; and
 - (vi) any other reason, if the Directors so decide in any particular case.

5.3 Immediate Vesting

Where rule 5.2.1 (ii), (iii) and (iv) applies, the Award does not lapse but will Vest on the date of cessation or, if any Performance Condition applying to the Award cannot be (or has not been) measured on or before cessation, as soon as practicable after the first opportunity when such Performance Condition may be determined, but with respect to Conditional Awards granted to US Taxpayers, in no event shall Shares underlying the Conditional Awards be transferred later than March 15 of the calendar year following the calendar year in which the period as to which the Performance Condition is measured ends. However, except for Conditional Awards granted to US Taxpayers, the Directors may decide that the Award should Vest on the date of Vesting determined on the Award Date or on any other date.

Where rule 5.2.1(i), (v) and (vi) applies with respect to Conditional Awards granted to US Taxpayers, the Conditional Award does not lapse but will Vest on the date of cessation or, if any Performance Condition applying to the Conditional Award cannot be (or has not been) measured on or before cessation, as soon as practicable after the first opportunity when such Performance Condition may be determined, but in no event shall Shares underlying the Conditional Awards be transferred later than March 15 of the calendar year following the calendar year in which the period as to which the Performance Condition is measured ends.

Unless the Directors decide otherwise, the proportion of the Award which Vests should be reduced pro rata to reflect the acceleration of Vesting.

5.4 Normal Vesting

Where rule 5.2.1(i), (v) and (vi) applies, except for Conditional Awards granted to US Taxpayers, the Award does not lapse but will Vest on the date of Vesting. If the Award is subject to Performance Conditions, it will Vest to the extent that such Performance Conditions have been satisfied in accordance with rule 3.1 (Satisfying conditions) at the end of the Performance Period. However, the Directors may decide in their discretion that the Award should Vest on the date of cessation or, if any Performance Condition applying to the Award cannot be (or has not been) measured on or before cessation, as soon as practicable after the first opportunity when such Performance Condition may be determined.

Unless the Directors decide otherwise, the Award should be reduced pro rata to reflect the acceleration of Vesting, if any.

5.5 Overseas transfer

If a Participant remains an Employee but is transferred to work in another country or changes tax residence status and, as a result, he would:

- 5.5.1** suffer a tax disadvantage in relation to his Awards (this being shown to the satisfaction of the Directors); or
- 5.5.2** become subject to restrictions on his ability to exercise his Awards or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on Vesting or exercise because of the security laws or exchange control laws of the country to which he is transferred,

then the Directors may decide that the Awards will Vest on a date they choose before or after the transfer takes effect. The Award will Vest to the extent they permit and may lapse as to the balance if the Directors so decide. Notwithstanding the foregoing, if this rule 5.5 applies with respect to a Participant who is, or is expected to become, a US Taxpayer, the Directors may decide to accelerate Vesting and the transfer of the underlying Shares to a date earlier than the date originally set for Vesting, but shall not extend, suspend or otherwise change the period of Vesting in any other manner.

5.6 Meaning of “ceasing to be an Employee”

For the purposes of rules 5 (Vesting in other circumstances – personal events) and 4.2 (Options), a Participant will not be treated as ceasing to be an Employee until he is no longer an Employee of any Member of the Group or if he recommences employment with a Member of the Group within seven days.

If the participant retains a statutory right to return to work, he will be treated as not having ceased to be an Employee until such time as he ceases to have such a right to return to work.

6 Vesting in other circumstances - corporate events

6.1 Time of Vesting

- 6.1.1 In the event of a Change of Control or if the Company passes a resolution for the voluntary winding up of the Company, an Award Vests subject to rules 6.1.2 (Extent of Vesting) and 6.3 (Exchange). The Award lapses as to the balance except to the extent exchanged under rule 6.3 (Exchange).
- 6.1.2 If the Company is, or may be, affected by any demerger, delisting, distribution (other than an ordinary dividend) or other transaction, which, in the opinion of the Directors, might affect the current or future value of any Award, the Directors may allow an Award to Vest. The Award will Vest on such terms and during such period as the Directors determine and will lapse as to the balance unless exchanged under rule 6.3 (Exchange). The Directors may impose other conditions on Vesting.

6.2 Extent of Vesting

Where an Award Vests under rule 6.1 (Time of Vesting):

- 6.2.1 if the Award is not subject to any Performance Condition, unless the Directors decide otherwise, the Award is reduced pro rata to reflect the acceleration of Vesting; or
- 6.2.2 if the Award is subject to a Performance Condition, unless the Directors decide otherwise, the Directors will determine the extent to which any Performance Condition has been satisfied and the proportion of the Award which will Vest and reduce the Award pro rata to reflect the acceleration of Vesting.

6.3 Exchange

An Award will not Vest under rule 6.1 (Time of Vesting) but will be exchanged under rule 6.6 (Exchange terms) to the extent that:

- 6.3.1 an offer to exchange the Award is made and accepted by a Participant; or
- 6.3.2 the Directors, with the consent of the Acquiring Company, decide before Change of Control that the Award will be automatically exchanged.

To the extent that an offer to exchange a Conditional Award is made under rule 6.3.1 to a US Taxpayer, the Conditional Award will not Vest under rule 6.1 and will lapse to the extent such offer is declined by such US Taxpayer.

6.4 Directors

In this rule 6, “**Directors**” means those people who were members of the remuneration committee of the Company immediately before the Change of Control.

6.5 Timing of exchange

Where an Award is to be exchanged under rule 6.3 (Exchange), the exchange is effective immediately following the relevant event.

6.6 Exchange terms

Where a Participant is granted a new award in exchange for an existing Award, the new award:

- 6.6.1 must confer a right to acquire shares in the Acquiring Company or another body corporate determined by the Acquiring Company;
- 6.6.2 must be equivalent to the existing Award, subject to rule 6.6.4;
- 6.6.3 is treated as having been acquired at the same time as the existing Award and, subject to rule 6.6.4, Vests in the same manner and at the same time;
- 6.6.4 must:
 - (i) where the existing Award is subject to a Performance Condition, be subject to a Performance Condition which is, so far as possible, equivalent to any Performance Condition applying to the existing Award; or
 - (ii) where the existing Award is subject to a Performance Condition, not be subject to any Performance Condition but be in respect of the number of shares which is equivalent to the number of Shares comprised in the existing Award which would have Vested under rule 6.2.1 and Vest at the end of the original Performance Period; or
 - (iii) be subject to such other terms as the Directors consider appropriate in all the circumstances; and
- 6.6.5 is governed by the Plan, excluding rule 7.2 (Shareholder approval), as if references to Shares were references to the shares over which the new award is granted and references to the Company were references to the Acquiring Company or the body corporate determined under rule 6.6.1 above.

7 **Changing the Plan and termination**

7.1 **Directors' powers**

Except as described in the rest of this rule 7, the Directors may at any time change the Plan in any way.

7.2 **Shareholder approval**

- 7.2.1 Except as described in rule 7.2.2, the Company in general meeting must approve in advance by ordinary resolution any proposed change to the Plan to the advantage of present or future Participants which relates to:
 - (i) the Participants;
 - (ii) the limits on the number of Shares which may be issued under the Plan;
 - (iii) the individual limit for each Participant under the Plan;
 - (iv) the basis for determining a Participant's entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital; or
 - (v) the terms of this rule 7.2.1.
- 7.2.2 The Directors can change the Plan and need not obtain the approval of the Company in general meeting for any minor changes:

- (i) to benefit the administration of the Plan;
- (ii) to comply with or take account of the provisions of any proposed or existing legislation;
- (iii) to take account of any changes to legislation; or
- (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any Subsidiary or any present or future Participant.

7.2.3 The Directors may, without obtaining the approval of the Company in general meeting, establish further plans (by way of schedules to the rules or otherwise) based on the rules, but modified to take account of local tax, exchange control or securities law in non-UK territories. However, any Shares made available under such plans are treated as counting against any limits on individual or overall participation in the Plan under rules 1.10 (Individual limits), 1.11 (Plan limits – 10 per cent) and 1.12 (Plan limits – 5 per cent).

7.3 Notice

The Directors are not required to give Participants notice of any changes.

7.4 Termination

The Plan will terminate on the Expiry Date, but the Directors may terminate the Plan at any time before that date. The termination of the Plan will not affect existing Awards.

8 General

8.1 Terms of employment

- 8.1.1 This rule 8.1 applies during an Employee's employment and after the termination of an Employee's employment, whether or not the termination is lawful.
- 8.1.2 Nothing in the rules or the operation of the Plan forms part of the contract of employment of an Employee. The rights and obligations arising from the employment relationship between the Employee and his employer are separate from, and are not affected by, the Plan. Participation in the Plan does not create any right to, or expectation of, continued employment.
- 8.1.3 No Employee has a right to participate in the Plan. Participation in the Plan or the grant of Awards on a particular basis in any year does not create any right to or expectation of participation in the Plan or the grant of Awards on the same basis, or at all, in any future year.
- 8.1.4 The terms of the Plan do not entitle the Employee to the exercise of any discretion in his favour.
- 8.1.5 The Employee will have no claim or right of action in respect of any decision, omission or discretion, which may operate to the disadvantage of the Employee even if it is unreasonable, irrational or might otherwise be regarded as being in breach of the duty of trust and confidence (and/or any other implied duty) between the Employee and his employer.

8.1.6 No Employee has any right to compensation for any loss in relation to the Plan, including any loss in relation to:

- (i) any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
- (ii) any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision;
- (iii) the operation, suspension, termination or amendment of the Plan.

8.2 Directors' decisions final and binding

The decision of the Directors on the interpretation of the Plan or in any dispute relating to an Award or matter relating to the Plan will be final and conclusive.

Neither the Company, the Grantor nor any Director shall be liable for:

- (i) any action or determination made with respect to the Plan; or
- (ii) any action or determination with respect to an Award or Awards that results in such Awards (individually or entirely) becoming subject to taxation under section 409A of the US Internal Revenue Code.

8.3 Third party rights

Nothing in this Plan confers any benefit, right or expectation on a person who is not a Participant. No such third party has any rights under the Contracts (Rights of Third Parties) Act 1999 or any equivalent local legislation to enforce any term of this Plan. This does not affect any other right or remedy of a third party which may exist.

8.4 Documents sent to shareholders

The Company is not required to send to Participants copies of any documents or notices normally sent to the holders of its Shares.

8.5 Costs

The Company will pay the costs of introducing and administering the Plan. The Company may ask a Participant's employer to bear the costs in respect of an Award to that Participant.

8.6 Employee trust

The Company and any Subsidiary may provide money to the trustee of any trust or any other person to enable them or him to acquire Shares to be held for the purposes of the Plan, or enter into any guarantee or indemnity for those purposes, to the extent permitted by Section 682 of the Companies Act 2006 or any applicable law.

8.7 Data protection

By participating in the Plan the Participant consents to the holding and processing of personal information provided by the Participant to any Member of the Group, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to:

- 8.7.1 administering and maintaining Participant records;

- 8.7.2 providing information to Members of the Group, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan;
- 8.7.3 providing information to future purchasers or merger partners of the Company, the Participant's employing company, or the business in which the Participant works;
- 8.7.4 transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

The Participant is entitled, on payment of a fee, to a copy of the personal information held about him or her, if anything is inaccurate the participant had the right to have it corrected.

8.8 Consents

All allotments, issues and transfers of Shares will be subject to any necessary consents under any relevant enactments or regulations for the time being in force in the United Kingdom or elsewhere. The Participant is responsible for complying with any requirements he needs to fulfil in order to obtain or avoid the necessity for any such consent.

8.9 Share rights

Shares issued to satisfy Awards under the Plan will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment. Where Shares are transferred to a Participant, including a transfer out of treasury, the Participant will be entitled to all rights attaching to the Shares by reference to a record date on or after the transfer date. The Participant will not be entitled to rights before that date.

8.10 Listing

If and so long as the Shares are listed and traded on a public market, the Company will apply for listing of any Shares issued under the Plan as soon as practicable.

8.11 Notices

- 8.11.1 Any information or notice to a person who is or will be eligible to be a Participant under or in connection with the Plan may be posted, or sent by electronic means, in such manner to such address as the Company considers appropriate, including publication on any intranet.
- 8.11.2 Any information or notice to the Company or other duly appointed agent under or in connection with the Plan may be sent by post or transmitted to it at its registered office or such other place, and by such other means, as the Directors or duly appointed agent may decide and notify Participants.

8.12 Governing law and jurisdiction

English law governs the Plan and all Awards and their construction. The English courts have exclusive jurisdiction in respect of disputes arising under or in connection with the Plan or any Award.

9 Definitions

In these rules:

“Acquiring Company” means a person who has or obtains control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company;

“Award” means a Conditional Award or an Option;

“Award Date” means the date on which an Award is granted by deed under rule 1.4 (Terms of Awards);

“Change of Control” means:

- (i) when a general offer to acquire Shares made by a person (or a group of persons acting in concert) becomes wholly unconditional; or
- (ii) when, under Section 895 of the Companies Act 2006 or equivalent procedure under local legislation, a court sanctions a compromise or arrangement in connection with the acquisition of Shares; or
- (iii) a person (or a group of persons acting in concert) obtaining control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company in any other way;

“Company” means BAE SYSTEMS plc;

“Conditional Award” means a conditional right to acquire Shares granted under the Plan;

“Dealing Restrictions” means restrictions imposed by statute, order, regulation or Government directive, or by the Model Code or any code adopted by the Company based on the Model Code and for this purpose the Model Code means the Model Code on dealings in securities set out in Listing Rule 9, annex 1 (of the London Stock Exchange), as varied from time to time;

“Directors” means, subject to rule 6.4 (Directors), the board of directors of the Company, the remuneration committee of the board of directors or a duly authorised person or group of persons;

“Dividend Equivalent” means an amount equal to the dividends payable on the number of Vested Shares over the Vesting Period as determined by the Directors;

“Employee” means any employee of a Member of the Group (including an executive director of the Company);

“Expiry Date” means *[insert date]* 2021, the tenth anniversary of shareholder approval of the Plan;

“Grantor” means, in respect of an Award, the entity which grants that Award under the Plan;

“London Stock Exchange” means London Stock Exchange plc;

“Member of the Group” means:

- (i) the Company;
- (ii) its Subsidiaries from time to time; or
- (iii) any other company which is associated with the Company and is so designated by the Directors;

“Option” means a right to acquire Shares granted under the Plan;

“Option Period” means a period starting on the grant of an Option and ending at the end of the day before the tenth anniversary of the grant, or such shorter period as may be specified under rule 4.2 (Options) on the grant of an Option;

“Option Price” means the fair market value (which, for Options granted to US Taxpayers, shall be determined in a manner consistent with 1.409A-1(b)(5)(iv)) of the Shares subject to an Option on the Award Date as determined by the Directors under rule 1.4.8, or, except with respect to Options granted to US Taxpayers, zero;

“Participant” means a person holding an Award or his personal representatives;

“Performance Condition” means any performance condition imposed under rule 1.5 (Performance Conditions) which, for Conditional Awards granted to US Taxpayers, will be a purely objective performance condition, the determination of the satisfaction of which will require no exercise of discretion;

“Performance Period” means the period in respect of which a Performance Condition is to be satisfied;

“Plan” means these rules known as “The BAE SYSTEMS Restricted Share Plan 2011”, as changed from time to time;

“Shares” means fully paid ordinary shares in the capital of the Company;

“Subsidiary” means a company which is a subsidiary of the Company within the meaning of Section 1159 of the Companies Act 2006;

“US Taxpayer” means a Participant who is or becomes subject to income taxation under the laws of the United States of America;

“Vesting” in relation to an Option, means an Option becoming exercisable and in relation to a Conditional Award, means a Participant becoming entitled to have the Shares transferred to him subject to the Plan; and

“Vesting Period” means the period from the Award Date to the date of Vesting.