

# NOTICE OF ANNUAL GENERAL MEETING 2014

This year's Annual General Meeting will be held at 11.00am on Wednesday 7th May 2014 at FIVE (Farnborough International Venue & Events), Farnborough, Hampshire GU14 6FD



This Notice of Meeting sets out the resolutions that shareholders are being asked to consider and vote on. These resolutions are a very important part of the governance of the Company and all shareholders are urged to vote, whether they are able to attend the meeting or not.

You can vote on the resolutions put to shareholders either online or by post as follows:

- Online – if you have accessed this notice electronically, you simply need to click on the electronic voting icon on the Shareholder Reporting website at [www.baesystems.com/reporting](http://www.baesystems.com/reporting).
- By post – if you received the 2013 Report & Accounts you will also have received a proxy card. Instructions on voting can be found on the proxy card.

It is good practice for companies to take a poll on all resolutions put to shareholders and the Company has used such polls for a number of years. This allows all shareholders to have their votes recognised whether or not they are able to attend the meeting.

The results of the voting on the resolutions will be posted on the Company's website after the meeting.

If you are unable to attend the meeting, but have any questions on the business to be discussed at the AGM, we would like to hear from you ahead of the meeting. We will provide responses to frequently raised topics and post these on our website as well as making them available at the AGM. If you have received a paper copy of this notice, you will have received a card you can use to ask such a question. Shareholders reading this online will be able to submit a question via the Shareholder Reporting website.

## Recommendation

Your Directors consider that each of the proposals detailed in the Notice of Meeting will be of benefit to and in the best interests of the Company and the shareholders as a whole. The Directors intend to vote in favour of all Resolutions in respect of their own beneficial holdings of ordinary shares in the Company and unanimously recommend other shareholders to do likewise.

## IMPORTANT

### This document is important and requires your immediate attention

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## HOW TO GET TO THE AGM

Please see the map on page 12 of this document.

### By Road

FIVE is situated in Farnborough, Hampshire, to the south west of London, close to Junction 4 of the M3. Follow the Farnborough/FIVE signs on all major routes.

SatNav users should enter 'GU14 6AZ' for directions to the Queen's Roundabout. From the roundabout, take Government House Road (Aerospace Boulevard) and follow the signs to FIVE via Gate F.

Free parking is available at FIVE in the designated car park.

### By Rail

The main train station in Farnborough is Farnborough Main. Other rail stations in the vicinity of FIVE include North Camp and Aldershot. Please visit [www.nationalrail.co.uk](http://www.nationalrail.co.uk) or telephone 08457 484950 for rail travel information.

A complimentary shuttle bus service will be provided between Farnborough Main train station and FIVE. A return service to Farnborough Main will be provided after the meeting.

**BAE SYSTEMS**

INSPIRED WORK

# NOTICE OF ANNUAL GENERAL MEETING

## To BAE Systems plc Ordinary Shareholders

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BAE Systems plc will be held at FIVE (Farnborough International Venue & Events), Farnborough, Hampshire GU14 6FD on Wednesday 7 May 2014 at 11.00 am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-20, which will be proposed as ORDINARY RESOLUTIONS:

### **RESOLUTION 1 – Receipt of the Report and Accounts**

THAT the Annual Report and Accounts for the year ended 31 December 2013 now laid before this meeting be and are hereby received.

### **RESOLUTION 2 – Approval of the Directors' Remuneration Policy**

THAT the Directors' remuneration policy, as set out on pages 82 to 91 of the Annual Report and Accounts for the financial year ended 31 December 2013, be and is hereby approved.

### **RESOLUTION 3 – Approval of the Directors' Remuneration Report**

THAT the Directors' remuneration report (other than the part containing the Directors' remuneration policy referred to in resolution 2) as set out on pages 80 to 104 of the Annual Report and Accounts for the financial year ended 31 December 2013 be and is hereby approved.

### **RESOLUTION 4 – Authorisation of the payment of the final dividend**

THAT the final dividend for the year ended 31 December 2013 of 12.1 pence per ordinary share be and is hereby declared payable on 2 June 2014 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 22 April 2014.

### **RESOLUTION 5 – Re-election of director**

THAT Paul Anderson be and is hereby re-elected a Director of the Company.

### **RESOLUTION 6 – Re-election of director**

THAT Harriet Green be and is hereby re-elected a Director of the Company.

### **RESOLUTION 7 – Re-election of director**

THAT Ian King be and is hereby re-elected a Director of the Company.

### **RESOLUTION 8 – Re-election of director**

THAT Peter Lynas be and is hereby re-elected a Director of the Company.

### **RESOLUTION 9 – Re-election of director**

THAT Paula Rosput Reynolds be and is hereby re-elected a Director of the Company.

### **RESOLUTION 10 – Re-election of director**

THAT Nicholas Rose be and is hereby re-elected a Director of the Company.

### **RESOLUTION 11 – Re-election of director**

THAT Carl Symon be and is hereby re-elected a Director of the Company.

### **RESOLUTION 12 – Election of director**

THAT Sir Roger Carr be and is hereby elected a Director of the Company.

### **RESOLUTION 13 – Election of director**

THAT Jerry DeMuro be and is hereby elected a Director of the Company.

### **RESOLUTION 14 – Election of director**

THAT Christopher Grigg be and is hereby elected a Director of the Company.

### **RESOLUTION 15 – Election of director**

THAT Ian Tyler be and is hereby elected a Director of the Company.

### **RESOLUTION 16 – Appointment of the Auditors**

THAT KPMG LLP be and are hereby appointed Auditors of the Company to hold office until the next General Meeting at which accounts are laid before the Company.

### **RESOLUTION 17 – Authority to agree Auditors' remuneration**

THAT the Audit Committee of the Board of Directors be and is hereby authorised to agree the remuneration of the Auditors.

### **RESOLUTION 18 – Political Donations**

THAT

- (i) the Company and those companies which are subsidiaries of the Company at any time during the period for which this resolution has effect be authorised for the purposes of Part 14 of the Companies Act 2006 (the "2006 Act") during the period from the date of the passing of this resolution to the earlier of the conclusion of the Company's Annual General Meeting in 2015 or 30 June 2015:

- (a) to make political donations to political parties, and/or independent election candidates;
- (b) to make political donations to political organisations other than political parties; and
- (c) to incur political expenditure, up to an aggregate amount of £100,000, and the amount authorised under each of paragraphs (a) to (c) shall also be limited to such amount; and
- (ii) all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the 2006 Act are hereby revoked without prejudice to any donation made or expenditure incurred prior to the date hereof pursuant to such authorisation or approval; and
- (iii) words and expressions defined for the purpose of the 2006 Act shall have the same meaning in this resolution.

### **RESOLUTION 19 – BAE Systems Long-term Incentive Plan 2014**

THAT the rules of the BAE Systems Long-term Incentive Plan 2014 (the "LTIP"), the principal features of which are summarised in Appendix 1 to this Notice of Annual General Meeting, and a copy of which is produced to the Annual General Meeting and initialled by the Chairman for the purposes of identification, be approved and the Directors be authorised to:

- (i) do all things appropriate to operate the LTIP, including making such modifications as the Directors consider appropriate to obtain HMRC approval and to take account of the requirements of the UK Listing Authority and best practice; and
- (ii) establish further plans based on the LTIP but modified to:
- (a) permit participation by employees of any joint ventures of the Company who are not eligible to participate in the LTIP; and/or
- (b) to take account of local tax, exchange controls or securities laws in overseas territories, provided that any new issue or treasury shares made available under such further plans are treated as counting against the limits on individual or overall participation in the LTIP

### **RESOLUTION 20 – Authority to allot new shares**

THAT

- (i) the authority conferred on the Directors by Article 8(B)(i) of the Company's Articles of Association be renewed for the period ending at the conclusion of the Company's Annual General Meeting in 2015 or on 30 June 2015, whichever is the earlier, and for such period the Section 551 Amount shall be £26,451,968;
- (ii) the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the 2006 Act to exercise all the powers of the Company to allot shares or grant rights to subscribe for or to convert any security into shares comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further nominal amount of £26,451,968 in connection with an offer by way of a rights issue, such authority to expire at the conclusion of the Company's Annual General Meeting in 2015 or on 30 June 2015, whichever is the earlier but so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the authority ends.

The authorities in this Resolution apply in substitution for all previous authorities pursuant to Section 551 of the 2006 Act.

For the purposes of the authority in paragraph (ii) above, "rights issue" means an offer to:

- (a) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
- (b) people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities,

to subscribe further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of any territory.

# NOTICE OF ANNUAL GENERAL MEETING (continued)

To consider, and if thought fit, to pass the following Resolutions 21 to 23 which will be proposed as SPECIAL RESOLUTIONS:

## **RESOLUTION 21 – Disapplication of pre-emption rights**

THAT subject to the passing of Resolution 20 above,

- (i) the power conferred on the Directors by Article 8(B)(ii) of the Company's Articles of Association be renewed for the period referred to in such Resolution and for such period the Section 561 Amount shall be £3,968,192. Such authority shall be in substitution for all previous powers pursuant to Section 561 of the 2006 Act; and
- (ii) the Directors be and are empowered to allot equity securities (as defined in Section 560(1) of the 2006 Act) wholly for cash pursuant to the authority given by paragraph (ii) of Resolution 20 above in connection with a rights issue, as if Section 561(1) of the 2006 Act did not apply to any such allotment, such power to expire at the conclusion of the Company's Annual General Meeting in 2015 or on 30 June 2015, whichever is the earlier but so that the Company may make offers and enter into agreements during this period which would, or might, require equity securities to be allotted after the power ends.

For the purposes of this resolution "rights issue" has the same meaning as in Resolution 20 above.

## **RESOLUTION 22 – Authority to purchase own shares**

THAT the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the 2006 Act to make market purchases (as defined in Section 693 of the 2006 Act) of its ordinary shares of 2.5p each in the capital of the Company provided that:

- (a) the maximum number of shares that may be purchased is 317,455,371;
- (b) the minimum price which may be paid for each share is 2.5p;
- (c) the maximum price which may be paid for each share is the higher of  
(i) 105 per cent of the average of the middle market quotations of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated in Article 5(1) of the Buy-back and Stabilisation Regulation; and
- (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2015 or, if earlier, 30 June 2015 (except in relation to the purchase of shares the contract for which was concluded before the expiry of such authority and which may be executed wholly or partly after such expiry) unless such authority is renewed prior to such time.

## **RESOLUTION 23 – Notice of general meetings**

THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

By Order of the Board

**David Parkes**  
Company Secretary

27 March 2014

6 Carlton Gardens  
London SW1Y 5AD

## **NOTES**

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a member of the Company.
2. A proxy form which may be used to make such appointment and give proxy instructions has been sent to all shareholders (except those who have elected to receive notice via email who should refer to paragraph 7 below, or those shareholders who are deemed to have consented to receive communications via the Company's Website and who will have received a Shareholder Voting Instruction Card). If a shareholder wishes to appoint someone other than the Chairman of the meeting to act as the shareholder's proxy, the shareholder should delete the reference to the Chairman in the proxy form, and insert in block letters the name of the person that the shareholder wishes to appoint in the space provided, and initial the alteration.

Shareholders who have received a Shareholder Voting Instruction Card or a proxy card may appoint a proxy or proxies electronically via the Company's website at [www.baesystems.com/reporting](http://www.baesystems.com/reporting) using the Voting ID, Task ID, and Shareholder Reference Number on the proxy card or Shareholder Voting Instruction Card. Electronic proxy appointments must be received no later than 11.00am UK time on 5 May 2014. CREST members who wish to appoint proxies through the CREST electronic appointment service should refer to paragraphs 12-15 below.

3. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If in such case a shareholder wishes to appoint more than one proxy, the shareholder should photocopy the proxy form and indicate in the box, next to the proxy holder's name, the number of shares in relation to which the shareholder authorises them to act as the shareholder's proxy. The shareholder should indicate by marking the relevant box on the proxy card if more than one proxy is being appointed.
4. In the case of joint holders the signature of any one of them will suffice. The vote of the senior party tendering the vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid any proxy form or other instrument appointing a proxy must be completed, signed and returned, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, so as to be received by post or (during normal business hours only) by hand at the office of the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not later than 11.00am UK time on 5 May 2014, being not less than 48 hours before the time for which the meeting is convened.
6. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 13 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
7. Shareholders who have elected to receive notice via email, and who have therefore not received a proxy card, may appoint a proxy or proxies electronically via the Company's website at [www.baesystems.com/reporting](http://www.baesystems.com/reporting) using their usual Shareview portfolio identification particulars. Electronic proxy appointments must be received no later than 11.00am UK time on 5 May 2014.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. The statement of rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 7 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.



## NOTICE OF ANNUAL GENERAL MEETING (continued)

10. Entitlement to attend and vote at the meeting, and the number of votes which may be cast at the meeting, will be determined by reference to the Company's Register of Members at 6.00pm on 5 May 2014 or, if the meeting is adjourned, 6.00pm two days before the time fixed for the adjourned meeting (as the case may be). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
11. As at 16 March 2014 (being the latest practicable date prior to the publication of this Notice) the Company's issued share capital consisted of 3,501,512,674 ordinary shares and one special share. Holders of ordinary shares are entitled to attend and vote at general meetings of the Company. The voting rights of treasury shares (of which there were 326,958,960 as of 16 March 2014) are suspended. The holder of the special share is entitled to attend general meetings of the Company, but is not entitled to vote. Accordingly the total number of voting rights as of 16 March 2014 is 3,174,553,714. The consent of the holder of the special share is required in certain limited circumstances, as set out in the Company's Articles of Association. On a vote by a show of hands every ordinary shareholder who is present has one vote and every proxy present who has been duly appointed by a shareholder entitled to vote has one vote (unless the proxy is appointed by more than one shareholder in which case the proxy has one vote for and one vote against if (a) the proxy has been instructed by one or more shareholders to vote for the resolution and by one or more shareholders to vote against the resolution; or if (b) the proxy has been instructed by one or more shareholders to vote either for or against the resolution and by one or more shareholders to use his discretion how to vote). On a vote by poll, every ordinary shareholder who is present in person or by proxy has one vote for every ordinary share of which he is the holder.
12. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.
13. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Equiniti (ID RA19), no later than 11.00am on 5 May 2014, being not less than 48 hours before the time for which the meeting is convened. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
14. CREST members and, where applicable, their CREST sponsors, or voting service providers, should note that Euroclear UK and Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting system providers) are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST systems and timings.
15. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
16. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
17. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.
18. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation of the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. A copy of this notice, and other information required by s311A of the Company's Act 2006, can be found at [www.baesystems.com/reporting](http://www.baesystems.com/reporting).
20. Shareholders may not use any electronic address provided in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

# NOTES ON THE RESOLUTIONS

## 1. NOTES ON THE RESOLUTIONS

### 1.1 Resolutions 2 and 3 – Approval of the Directors' Remuneration Policy and the Directors' Annual Remuneration Report

There are new requirements this year in relation to the content of the Directors' Remuneration Report and the approval of the Report, following changes made to the Companies Act 2006.

In accordance with the new provisions of the UK Companies Act 2006, the Directors' Remuneration Report in the Company's Annual Report contains:

- a statement by Carl Symon, Chairman of the Remuneration Committee;
- the Directors' remuneration policy in relation to future payments to the Directors; and
- the annual remuneration report which sets out payment made in the financial year ended 31 December 2013.

The policy part of the Directors' Remuneration Report, which sets out the Company's forward looking policy on Directors' remuneration is subject to a binding shareholder vote by ordinary resolution at least every three years. The statement by the Remuneration Committee Chairman and the Annual Remuneration Report will, as in previous years, be put to an annual advisory vote.

The Directors' Remuneration Report is set out in full in the Company's Annual Report 2013 on pages 80 to 104.

Resolution 2 is the resolution to approve the Directors' remuneration policy which is set out in the Directors' Remuneration Report in the Annual Report on pages 82 to 91.

As noted in the Directors' remuneration policy on page 82 of the Annual Report, the legally binding restrictions under such policy will take effect from 1 January 2015 (subject to shareholder approval), however the Company intends in practice to operate the Directors' remuneration policy from the 2014 Annual General Meeting.

Resolution 3 is the ordinary resolution to approve the Directors' Remuneration Report, other than the part containing the Directors' remuneration policy. This can be found on pages 80 and 81 and pages 92 to 104 of the Company's Annual Report 2013.

### 1.2 Resolutions 5-11 – Directors Standing For Re-election

In line with the requirements of the UK Corporate Governance Code all Directors are standing for election or re-election to the Board.

The Chairman has confirmed that each of the Non-executive directors who are seeking re-election (being Paul Anderson, Harriet Green, Paula Rosput Reynolds, Nick Rose and Carl Symon), continue to be effective members of the Board and demonstrate their commitment to their responsibilities. This is supported by the performance evaluation that the Board undertook recently.

#### Directors' Biographies

##### Paul Anderson – Non-executive director

*Appointed to the Board: 2009*

*Nationality: US*

*Skills and experience:* Paul Anderson has extensive global business experience in the energy and mining sectors. He spent more than 20 years in two spells at Duke Energy Corporation and its predecessor companies, culminating in his appointment as Chairman, President and Chief Executive Officer. He was subsequently Chairman of Spectra Energy Corporation until 2009 and in the intervening period he served as Managing Director and Chief Executive Officer of BHP and, subsequently, of the newly merged BHP Billiton.

*Other appointments:* Non-executive director of BP p.l.c.

*Other past appointments:* Non-executive director of BHP Billiton Plc, Qantas Airways Limited and Spectra Energy Corporation.

*Committee membership:* Chairman of the Corporate Responsibility Committee and member of the Nominations Committee

##### Harriet Green OBE – Non-executive director

*Appointed to the Board: 2010*

*Nationality: British*

*Skills and experience:* Appointed as Chief Executive Officer and executive director of Thomas Cook Group plc in 2012. She was previously Chief Executive Officer and executive director of Premier Farnell plc, a leading, high service, multi-channel technology distribution group. Harriet Green has significant global business experience having run volume distribution businesses in four continents for Premier Farnell and volume distributor, Arrow Electronics, Inc. She is a member of the UK Prime Minister's Business Advisory Group.

*Other appointments:* Non-executive director of Emerson Electric Co.

*Committee membership:* Corporate Responsibility Committee

##### Ian King – Chief Executive

*Appointed to the Board: 2007*

*Nationality: British*

*Skills and experience:* Appointed as Chief Executive in 2008 having been originally appointed to the Board as Chief Operating Officer, UK and Rest of the World. He was previously Group Managing Director of the Company's Customer Solutions & Support business and, prior to that, Group Strategy and Planning Director. Prior to the BAe/MES merger he was Chief Executive of Alenia Marconi Systems, having previously served as Finance Director of Marconi Electronic Systems.

*Other appointments:* Non-executive director and Senior Independent Director of Rotork p.l.c.

*Committee membership:* Non-Executive Directors' Fees Committee

##### Peter Lynas – Group Finance Director

*Appointed to the Board: 2011*

*Nationality: British*

*Skills and experience:* Peter Lynas, a qualified accountant, was appointed to the Board as Group Finance Director in 2011. He previously served for a number of years as Director, Financial Control, Reporting & Treasury. He joined GEC-Marconi in 1985 having previously worked for other companies in the UK and Europe. After progressing through a number of positions he was appointed Finance Director of GEC's Marconi Electronic Systems business, which was subsequently acquired by British Aerospace in 1999 to become BAE Systems.

##### Paula Rosput Reynolds – Non-executive director

*Appointed to the Board: 2011*

*Nationality: US*

*Skills and experience:* Paula Rosput Reynolds is Chief Executive Officer and President of the business advisory group, PreferWest, LLC. She had previously spent over 20 years in the energy sector in a variety of operational roles, culminating in her appointment as President and Chief Executive Officer of AGL Resources in 2002. She subsequently served as President and Chief Executive Officer of Safeco Corporation, an insurance company located in Seattle, Washington, until its acquisition by Liberty Mutual Group in 2008. She was then appointed as Vice Chairman and Chief Restructuring Officer of American International Group, Inc. (AIG) from October 2008 to September 2009, overseeing AIG's divestiture of assets and serving as chief liaison with the Federal Reserve Bank of New York.

*Other appointments:* Non-executive director of Delta Air Lines, Inc., Anadarko Petroleum Corporation and TransCanada Corporation

*Other past appointments:* Non-executive director of Coca-Cola Enterprises, Inc and Air Products and Chemicals, Inc.

*Committee membership:* Audit Committee

# NOTES ON THE RESOLUTIONS (continued)

## **Nick Rose – Non-executive director and Senior Independent Director**

*Appointed to the Board:* 2010

*Nationality:* British

*Skills and experience:* Nick Rose held the position of Chief Financial Officer of Diageo plc for over ten years until October 2010 where, in addition to his finance responsibilities, he was also responsible for supply, procurement, strategy and IT on a global basis. His financial experience has encompassed a number of roles since joining Diageo's predecessor company, Grand Metropolitan, in 1992, including group treasurer and group controller, having spent his earlier career with Ford Finance. He assumed the chairmanship of the Company's Audit Committee in 2011 and was appointed as the Company's Senior Independent Director in January 2013.

*Other appointments:* Chairman of Williams Grand Prix Holdings PLC. Non-executive director of BT Group plc.

*Other past appointments:* Chairman of Edwards Group Limited. Non-executive director of Moët Hennessy SNC and Scottish Power plc

*Committee membership:* Chairman of the Audit Committee and member of the Nominations Committee and Remuneration Committee

## **Carl Symon – Non-executive director**

*Appointed to the Board:* 2008

*Nationality:* British/US

*Skills and experience:* Carl Symon has an extensive background in global business operations and management, retiring in 2001 after a long career at IBM during which he held senior executive positions in the USA, Canada, Latin America, Asia and Europe, including that of Chairman and Chief Executive officer of IBM UK.

*Other appointments:* Non-executive director of Thomas Cook Group plc

*Other past appointments:* Non-executive director of BT Group plc, Rexam PLC and Rolls-Royce Group plc, and Chairman of HMV Group plc

*Committee membership:* Chairman of the Remuneration Committee

## **1.3 Resolutions 12-15 – Directors standing for Election**

Under the UK Corporate Governance Code the Board is required to set out the reasons for the election of non-executive directors. Ian Tyler was appointed to the Board on 8 May 2013. The Board believes that Mr Tyler's knowledge and deep understanding of long-term contracting businesses and his boardroom experience will be an asset to the Board, particularly as the Company continues to grow its international business and further enhance its growing reputation for excellence in programme management. Chris Grigg was appointed to the Board on 1 July 2013. The Board believes that Mr Grigg, as Chief Executive of The British Land Company PLC, a FTSE 100 company, has the skills and experience necessary to make a considerable contribution to the effectiveness of the Board.

The Chairman himself is also seeking election to the Board having been appointed to the Board on 1 October 2013 and succeeding Sir Richard Olver as Chairman on 1 February 2014. In announcing the Board's appointment of Sir Roger Carr as Chairman designate on 1 October 2013 Nick Rose, the Company's Senior Independent Director, stated that Sir Roger was an outstanding candidate for the chairmanship with two decades' Board-level experience at the top of UK industry. His skills, reputation and relationships with investors and government ministers will be of considerable value to the Company both at home and abroad.

The Board recommends that shareholders vote in favour of the election to the Board of Sir Roger Carr, Chris Grigg and Ian Tyler, and also in favour of the election to the Board of Jerry DeMuro who succeeded Linda Hudson as President and Chief Executive of BAE Systems, Inc. on 1 February 2014. The biographical details for the four individuals are as follows:

## **Sir Roger Carr – Chairman**

*Appointed to the Board:* 2013

*Nationality:* British

*Skills and experience:* Appointed to the Board on 1 October 2013 as Chairman designate, Sir Roger succeeded Sir Richard Olver on 1 February 2014. He was Chairman of the Board of Centrica plc from 2004 until he

stepped down from that role on 31 December 2013. He has previously held a number of senior appointments including chairman of Cadbury plc, Thames Water plc and Mitchells & Butlers plc, and President of the CBI. Throughout his career he has served on a number of external committees including the Higgs Committee on Corporate Governance and Business for New Europe.

*Other appointments:* He remains deputy chairman and senior independent director of the Court of the Bank of England and is a member of the UK Prime Minister's Business Advisory Group. He is also a senior adviser to Kohlberg Kravis Roberts and is a trustee of the Landau Forte Charitable Trust. He is a fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce, and a visiting fellow to the Said Business School, Oxford.

*Committee membership:* Chairman of the Nominations Committee and the Non-Executive Directors' Fees Committee

## **Jerry DeMuro – President and Chief Executive Officer of BAE Systems, Inc.**

*Appointed to the Board:* 2014

*Nationality:* US

*Skills and experience:* Appointed to the Board on 1 February 2014 as President and Chief Executive of BAE Systems, Inc. following the retirement of Linda Hudson, Jerry DeMuro is an experienced US executive who has worked in the national security, technology and aerospace industry for over 30 years. Most recently he served as executive vice president and corporate vice president of General Dynamics' Information Systems and Technology group, leading a diverse portfolio focused on secure mobile communication systems, information technology solutions and mission support services, and intelligence, surveillance and reconnaissance systems. Earlier in his career, he spent almost a decade as an acquisition official at the US Department of Defense.

*Committee membership:* Non-Executive Directors' Fees Committee

## **Chris Grigg – Non-executive director**

*Appointed to the Board:* 2013

*Nationality:* British

*Skills and experience:* Chris Grigg was appointed to the Board as a Non-executive director on 1 July 2013. He is Chief Executive of The British Land Company PLC and has more than 30 years' experience in the financial and real estate industries, in a range of leadership roles. Prior to joining British Land as its Chief Executive in 2009, he was an executive with Barclays Bank and previously spent over 20 years at Goldman Sachs where he rose to the position of partner.

*Committee membership:* Member of the Remuneration Committee

## **Ian Tyler – Non-executive director**

*Appointed to the Board:* 2013

*Nationality:* British

*Skills and experience:* Ian Tyler was appointed to the Board as a non-executive director on 8 May 2013. He served as Chief Executive of Balfour Beatty plc for a period eight years stepping down from that position in 2013. A Chartered Accountant, he joined Balfour Beatty as Finance Director in 1996 having spent his earlier career in a variety of finance roles.

*Other appointments:* Chairman of Bovis Homes Group PLC and Al Noor Hospitals Group plc. Non-executive director of Cairn Energy PLC and Cable & Wireless Communications Plc.

*Other past appointments:* Non-executive director of VT Group plc

*Committee membership:* Member of the Audit Committee and the Corporate Responsibility Committee

## **1.4 Resolution 16 – Appointment of Auditors**

KPMG Audit Plc informed the Company that it wishes to change the entity which conducts the Company's audit from KPMG Audit Plc to KPMG LLP. KPMG Audit Plc has therefore notified the Company that it is not seeking reappointment. Instead the Board now proposes a resolution for the appointment of KPMG LLP as auditor, to hold office until the next AGM of the Company. As an auditor ceasing to hold office, KPMG Audit Plc has, in accordance with the Companies Act, provided the Company with a "statement of circumstances" confirming that it will be ceasing to hold office



# NOTES ON THE RESOLUTIONS (continued)

as auditor of the Company. A copy of the statement of circumstances has been distributed with this notice in Appendix 2 on page 11.

## 1.5 Resolution 18 – Authority to incur political expenditure

Part 14 of the Companies Act 2006 requires companies to obtain shareholders' authority for donations to registered political parties and other political organisations totalling more than £5,000 in any twelve month period, and for any political expenditure, subject to limited exceptions. The definition of donation in this context is very wide and extends to bodies such as those concerned with policy review, law reform and the representation of the business community. It could also include special interest groups, such as those involved with the environment, which the Company and its subsidiaries might wish to support, even though these activities are not designed to support or influence support for a particular political party.

It remains the policy of the Company not to make political donations or incur political expenditure as those expressions are normally understood. However, the Directors consider that it is in the best interests of shareholders for the Company to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the Companies Act 2006, the Directors are seeking shareholders' authority for the Company and its subsidiaries to make political donations and to incur political expenditure during the period from the date of the Annual General Meeting to the conclusion of next year's Annual General Meeting or 30 June 2015, whichever is earlier, up to a maximum aggregate amount of £100,000.

## 1.6 Resolution 19 – BAE Systems Long-term Incentive Plan 2014

The Directors propose that a new executive share plan is approved by shareholders.

The principal terms of this plan, the BAE Systems Long-Term Incentive Plan 2014, are summarised in Appendix 1 on page 9.

## 1.7 Resolutions 20 and 21 – Authority to issue shares

### Resolution 20 – Authority to allot shares

The purpose of Resolution 20 is to renew the Directors' power to allot shares.

The authority in paragraph (i) will allow the Directors to allot new shares and grant rights to subscribe for or convert any securities into shares up to a nominal value of £26,451,968 which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 16 March 2014, the latest practicable date prior to publication of this Notice.

The authority in paragraph (ii) will allow the Directors to allot new shares and grant rights to subscribe for or convert any securities into shares in connection with a rights issue up to a further nominal value of £26,451,968. This amount is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 16 March 2014, the latest practicable date prior to publication of this Notice, and is in addition to the amount detailed in paragraph (i) of the resolution. This is in line with corporate governance guidelines. In accordance with those guidelines, the Board would seek re-election at the next Annual General Meeting if the authority in paragraph (ii) was used.

At 16 March 2014, the Company held 326,958,960 treasury shares which represents 10.3 per cent of the total number of ordinary shares in issue, excluding treasury shares, at that date.

There are no present plans to undertake a rights issue, or to allot new shares (other than in connection with employee share and incentive plans). The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to finance business opportunities as they arise.

If the resolution is passed the authority will expire on the earlier of 30 June 2015 and the end of the Annual General Meeting in 2015.

### Resolution 21 – Disapplication of pre-emption rights

If the Directors wish to allot new ordinary shares and other equity securities, or sell treasury shares, for cash (other than in connection with an employee share scheme) company law requires that these shares are offered first to shareholders in proportion to their existing holdings.

The purpose of paragraph (i) of Resolution 21 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (i) of Resolution 20, or sell treasury shares, for cash (a) in connection with a pre-emptive offer and (b) otherwise up to a nominal value of £3,968,192, equivalent to approximately 4.53 per cent of the total issued ordinary share capital of the Company including treasury shares as at 16 March 2014, in each case without the shares first being offered to existing shareholders in proportion to their existing holdings.

The purpose of paragraph (ii) of Resolution 21 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (ii) of Resolution 20, including the sale of treasury shares, for cash in connection with a rights issue without the shares first being offered to existing shareholders in proportion to their existing holdings. This is in line with corporate governance guidelines.

The Board considers the authority in Resolution 21 to be appropriate in order to allow the Company flexibility to finance business opportunities or to conduct a pre-emptive offer or rights issue without the need to comply with the strict guidelines of the statutory pre-emption provisions.

## 1.8 Resolution 22 – Purchase of shares

The Directors are committed to managing the Company's capital effectively and consider that the purchase by the Company of its ordinary shares may in certain circumstances be advantageous to shareholders. They believe that, in common with many other listed companies, the Company should obtain from shareholders a general authority to make market purchases on the London Stock Exchange.

Authority is sought for the Company to purchase up to 10 per cent of its issued ordinary shares (excluding treasury shares), renewing the authority granted by the shareholders at previous annual general meetings.

Ordinary shares purchased by the Company pursuant to this authority may be held in treasury or may be cancelled. The minimum price, exclusive of expenses, which may be paid for an ordinary share is 2.5p, being the par value of an ordinary share. The maximum price, exclusive of expenses, which may be paid for each share purchased in the market is the higher of (i) an amount equal to 105 per cent of the average market value for an ordinary share for the five business days immediately preceding the purchase and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange.

The number of ordinary shares which may be acquired pursuant to the authority is up to an aggregate of 317,455,371 ordinary shares, this being approximately 10 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 16 March 2014, the latest practicable date prior to the publication of this Notice. As at 16 March 2014 there were 50,793,284 options to subscribe for ordinary shares outstanding, representing 1.60 per cent of the Company's issued share capital (excluding treasury shares) at that date. If the authority was exercised in full, the options would represent 1.78 per cent of the Company's issued ordinary share capital (excluding treasury shares).

This authority will last until the earlier of the Company's Annual General Meeting in 2015 and 30 June 2015.

Pursuant to the Companies Act 2006, the Company can hold the shares which have been repurchased as treasury shares and either re-sell them for cash, cancel them, either immediately or at a point in the future, or use them for the purposes of its employee share schemes. This provides the Company with additional flexibility in the management of its capital base. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

The Company has stated that, as part of the allocation of capital, it would expect to make accelerated returns of capital to shareholders when the balance sheet allows. Consistent with this approach, the Company announced on 21 February 2013 a three year on-market share repurchase programme of up to £1 billion. Shares repurchased under this programme are currently being made pursuant to the share buy-back authority granted by shareholders at the 2013 AGM. Following the Annual General Meeting this year, the Directors intend to continue making share repurchases pursuant to this programme, subject to the passing of Resolution 22 by shareholders at the Annual General Meeting. The Directors currently intend any shares bought back under this authority to be cancelled.

The Company will only purchase ordinary shares if the Directors believe that it is in the shareholders' best interests and will increase earnings per share.

# NOTES ON THE RESOLUTIONS (continued)

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## **1.9 Resolution 23 – Notice of general meetings**

Changes made to the Companies Act 2006 by the Shareholders' Rights Regulations increase the notice period required for general meetings of the Company to 21 days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. AGMs will continue to be held on at least 21 clear days' notice.

Before the coming into force of the Shareholders' Rights Regulations in 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. The Company has previously obtained shareholder approval to preserve the ability to call general meetings other than an AGM on 14 clear days' notice. Resolution 23 seeks approval of the renewal of this authority which will be effective until the Company's next Annual General Meeting in 2015, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for such meetings. However the flexibility offered by this resolution will be used where, taking into account all the circumstances, the Directors consider this appropriate in relation to the particular issues to be considered at the general meeting in question.

## **2. DOCUMENTS FOR INSPECTION**

The Register of Directors' Interests in the share capital of the Company, copies of the executive Directors' service contracts, the Chairman and non-executive Directors' letters of appointment, and the Directors' Indemnities, together with a copy of the rules of the BAE Systems Long-term Incentive Plan 2014, will be available for inspection during normal business hours on Monday to Friday each week (public holidays excepted) at the Company's registered office from the date of this Notice of Meeting to the close of the meeting and at the place of the meeting from 15 minutes prior to its commencement until its conclusion.

A copy of the rules of the BAE Systems Long-term Incentive Plan 2014 will also be available for inspection during normal business hours on Monday to Friday each week (public holidays excepted) at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ from the date of this Notice of Meeting to the close of the meeting.

## **3. EXCLUDED ITEMS**

Certain items will not be permitted in the Annual General Meeting. These include bags, cameras, recording equipment, items of any nature with potential to cause disorder and such other items as the Chairman of the Meeting may specify.



# APPENDIX 1

## Summary of the principal features of the BAE Systems Long-term Incentive Plan 2014

### Introduction

As part of its commitment to simplify and bring further consistency to performance incentives and reward strategy for senior Company executives, the Remuneration Committee of the Board (the "Committee") wishes to introduce a new umbrella share plan, the Long-term Incentive Plan 2014 (the "LTIP") to replace the Company's existing executive share plans. As detailed in the Directors' Remuneration Report, which forms part of the Company's Annual Report for the year ended 2013 (the "DRR"), the Committee believes that consolidating the existing share plans into one plan whilst retaining the various award structures, limits and performance measures will bring additional clarity and ensure competitiveness of design in our different major markets.

As further provided in the DRR, it is proposed that the first awards under the LTIP will be made in March 2015 (in line with the Company's current award cycle under the existing executive share plans) and that these awards will be in accordance with the prevailing remuneration policy as approved by shareholders.

A summary of the principal features of the rules of the LTIP is set out below.

At all times, the LTIP will be operated in accordance with the prevailing remuneration policy approved by shareholders and set out in the Directors' Remuneration Report.

### Grant of awards

The LTIP will be administered by the Committee or other authorised person(s), as appropriate (the "Directors").

Any employee or executive director of the Company, any of its subsidiaries or designated associated companies is eligible to participate in the LTIP.

The LTIP enables participants to be granted awards over the Company's shares subject to performance and/or continued employment. All awards are subject to pre-vesting clawback as described below.

It is currently intended that three types of awards will be granted:

- **Performance Awards** – these are awards granted in the form of options (currently intended to be nil-cost options) or conditional awards which vest on such date(s) as determined by the Directors on grant subject to continued employment and the satisfaction of a performance condition. It is currently intended that Performance Awards will vest as to a third of the award on the third, fourth and fifth anniversary of grant.
- **Market Value Options** – these are options the option price of which is set by reference to the market value of a share on grant. Market Value Options vest on such date(s) as determined by the Directors on grant, subject to continued employment and, in respect of awards to be made to the executive directors, the satisfaction of a performance condition. Market Value Options are generally exercisable until the tenth anniversary of grant or such earlier date(s) as set by the Directors. Market Value Options may be granted as HMRC-approved options as described below. It is currently intended that Market Value Options will vest on the third anniversary of grant.
- **Restricted Awards** – these are options (currently intended to be nil-cost options) or conditional awards which vest on such date(s) as determined by the Directors on grant subject to continued employment. Whilst the LTIP allows for Restricted Awards to be subject to a performance condition, it is not currently intended that vesting will be subject to performance. It is intended that Restricted Awards will vest on the third anniversary of grant.

Performance conditions will be assessed over such period as determined by the Directors (currently expected to be three years). The Directors may waive or change a performance condition in accordance with its terms or if anything happens which causes the Directors reasonably to consider it appropriate to do so. There will be no retesting of performance conditions.

Awards will normally be granted within 42 days after the announcement of the Company's results for any period.

### Individual limits

Under the LTIP Rules, the market value of shares comprised in an award granted in respect of any financial year may not exceed the following percentages of the participant's annual basic salary: Performance Awards 400%; Options 400%; and Restricted Awards 200%.

However, these limits may be exceeded if the Directors determine that exceptional circumstances make it appropriate that an award should be granted in excess of that limit.

### Dilution limits

In any 10 year period, not more than 10% of the issued ordinary share capital of the Company may be issued or issuable under the LTIP and all other employees' share plans operated by the Company. In addition, in any 10 year period, not more than 5% of the issued ordinary share capital of the Company may be issued or issuable under the LTIP and all other discretionary share plans adopted by the Company. These limits do not include awards which have lapsed or been surrendered. Awards may also be satisfied using treasury shares. If such shares are used, the Company will, so long as required under the guidelines of the Association of British Insurers, count them towards the dilution limits set out above.

### Vesting of awards

Conditional awards and options will normally vest on the vesting date(s) set by Directors, subject to any performance conditions being satisfied and continued employment.

If a participant leaves employment, his unvested awards and options will generally lapse. However, if the participant leaves employment due to ill-health, injury, disability, retirement, redundancy, the sale or transfer of their employing company or business out of the Group, retirement with the agreement of the Company (as applicable) or, at the discretion of the Directors, for any other reason, then awards which are subject to performance conditions will generally continue and vest on the first normal vesting date after cessation or, if the participant dies or leaves after the first normal vesting date or the Directors so decide, they will vest at the time of cessation. Awards which are not subject to performance conditions will generally vest on cessation. For US taxpayers, awards will vest on cessation or as soon as any performance condition may be determined, if later. Options which vest in such circumstances will normally be exercisable for six months and then lapse.

Performance conditions will be tested at the end of the performance period or, if the Directors determine, on cessation. Unless the Directors decide otherwise, all awards will be pro rated to reflect the proportion of the performance period or the vesting period (as applicable) during which the participant was in employment.

### Takeover, restructuring and variation of share capital etc.

In the event of a takeover, scheme of arrangement, merger or other corporate reorganisation, awards will generally vest at the time of the relevant event. Awards will vest to the extent that any performance condition has been satisfied as at the relevant event and will be pro rated to reflect the acceleration of vesting, unless the Directors decide otherwise. Options will be exercisable for three months, or such other period determined by the Directors, after the relevant event. Alternatively, participants may be required or allowed to exchange their awards for equivalent awards over shares in the acquiring company.

If there is a variation in the share capital of the Company, a demerger or a special dividend, the Directors may adjust the awards (and, in the case of options, the option price) in any way they consider appropriate.

### Clawback

At any time prior to vesting (or, in the case of options, exercise), the Directors may decide to reduce, cancel or defer the vesting of an award in the event they determine that: a participant's employment may be terminated for cause; the measurement of performance does not accurately reflect the Company's level of performance over the performance period; or if there is a restatement of the Company's financial statement or it is otherwise determined to be inaccurate or misleading.

## APPENDIX 1 (continued)

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### **Amending the LTIP**

The Directors have the power to amend the LTIP and awards in any way. However, provisions relating to: eligibility; dilution limits; individual limits; the basis for determining a participant's entitlement to shares; the adjustment of awards in the event of a variation of capital; and the amendment of the LTIP, cannot be altered to the advantage of participants without prior approval of shareholders in general meeting (except for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company or any other members of its Group).

### **General**

Awards are personal to the participant and not transferable, except with the prior consent of the Directors.

At the discretion of the Directors, awards may be satisfied by paying participants a cash amount equal to the value of vested shares (and, in the case of options, less the option price).

Awards are granted for no consideration and are not pensionable.

The LTIP may be terminated by the Directors at any time. Awards will not be granted after the tenth anniversary of shareholder approval.

### **HMRC-approved options**

The LTIP contains a schedule under which HMRC-approved options may be granted to a participant over shares having a value up to £30,000. HMRC-approved options are granted on similar terms as market value options described above except for minor changes necessary to comply with UK tax legislation.

## APPENDIX 2

### Statement of Circumstances



**KPMG Audit Plc**  
15 Canada Square  
Canary Wharf  
London E14 5GL  
United Kingdom

Tel +44 (0) 20 7311 1000  
Fax +44 (0) 20 7311 3311  
DX 157460 Canary Wharf 5

**Private & confidential**

BAE Systems plc  
6 Carlton Gardens  
London  
SW1Y 5AD  
United Kingdom

17 March 2014

Dear Sirs

**Statement to BAE Systems plc (no. 1470151) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006**

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department.

Yours faithfully,

KPMG Audit plc

KPMG Audit Plc, a UK public limited company, is a subsidiary of KPMG Europe LLP and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity.

Registered in England No 3110745  
Registered office: 15 Canada Square, London, E14 5GL



# GETTING TO FIVE

## By Road

FIVE is situated in Farnborough, Hampshire, to the south west of London, close to Junction 4 of the M3. From the A331, take the junction for Farnborough A3011 and follow the signposts for Farnborough/Town Centre A3011. At the Queen's Roundabout (junction of A3011/A325) take Government House Road, signposted Aerospace Centre. Continue straight through the Aerospace Centre – FIVE is accessed through Gate F at the end of Aerospace Boulevard.

SatNav users should enter 'GU14 6AZ' for directions to the Queen's Roundabout. From the roundabout, take Government House Road (Aerospace Boulevard) and follow the signs to FIVE via Gate F.

Free parking is available at FIVE in the designated car park.

## By Rail

The main train station in Farnborough is Farnborough Main. Other rail stations in the vicinity of FIVE include North Camp and Aldershot. Please visit [www.nationalrail.co.uk](http://www.nationalrail.co.uk) or phone 08457 484950 for rail travel information.

A complimentary shuttle bus service will be provided between Farnborough Main train station and FIVE. A return service to Farnborough Main will be provided after the meeting.

