

Notice of Annual General Meeting 2016



This year's Annual General Meeting will be held at **11.00am on Wednesday 4 May 2016** 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 an 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 Company's AGM website page at www.baesystems.com/reporting.
- By post – if you received the 2015 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.

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 8 of this document and the reference to roadworks at the Queen's Roundabout.

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 or telephone 03457 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.

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 4 May 2016 at 11.00am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-17, 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 2015 now laid before this meeting be and are hereby received.

RESOLUTION 2 – Approval of the Directors' Remuneration Report

THAT the Annual Statement by the Chairman of the Remuneration Committee and the Annual Report on Remuneration (as set out on pages 71 to 86 of the Annual Report and Accounts for the financial year ended 31 December 2015) be and are hereby approved.

RESOLUTION 3 – Authorisation of the payment of the final dividend

THAT the final dividend for the year ended 31 December 2015 of 12.5 pence per ordinary share be and is hereby declared payable on 1 June 2016 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 22 April 2016.

RESOLUTION 4 – Re-election of director

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

RESOLUTION 5 – Re-election of director

THAT Jerry DeMuro 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 Christopher Grigg be and is hereby re-elected a Director of the Company.

RESOLUTION 8 – Re-election of director

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

RESOLUTION 9 – Re-election of director

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

RESOLUTION 10 – Re-election of director

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

RESOLUTION 11 – Re-election of director

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

RESOLUTION 12 – Re-election of director

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

RESOLUTION 13 – Election of director

THAT Elizabeth Corley be and is hereby elected a Director of the Company.

RESOLUTION 14 – Re-appointment of the Auditors

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

RESOLUTION 15 – 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 16 – 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 2017 or 30 June 2017:

- (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 same meaning in this resolution.

RESOLUTION 17 – 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 2017 or on 30 June 2017, whichever is the earlier, and for such period the Section 551 Amount shall be £26,390,369;
- (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 £26,390,369 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 2017 or on 30 June 2017, 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.

To consider, and if thought fit, to pass the following Resolutions 18 to 20 which will be proposed as SPECIAL RESOLUTIONS:

RESOLUTION 18 – Disapplication of pre-emption rights

THAT subject to the passing of Resolution 17 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 £7,917,902. 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 17 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 2017 or on 30 June 2017, 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 17 above.

RESOLUTION 19 – 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 316,716,098;
- (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, or from 3 July 2016, Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation; and

- (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2017 or, if earlier, 30 June 2017 (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 20 – 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

24 March 2016

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 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 2 May 2016. 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 2 May 2016,

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 using their usual Shareview portfolio identification particulars. Electronic proxy appointments must be received no later than 11.00am UK time on 2 May 2016.
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.
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 2 May 2016 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 15 March 2016 (being the latest practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 3,467,440,044 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 300,279,058 as of 15 March 2016) 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 15 March 2016 is 3,167,160,986. 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). 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 2 May 2016, 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 Companies Act 2006, can be found at 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.

1. Notes on the Resolutions

1.1 Resolution 2 – Approval of Directors' Remuneration Report

The statement by the Remuneration Committee Chairman and the Annual Remuneration Report (on pages 71 to 86 of the 2015 Annual Report) is being put to the shareholders as an advisory vote.

As required by regulation, the statement by Paula Rosput Reynolds, Chairman of the Remuneration Committee, covers major decisions on directors' remuneration during the year, substantial changes during the year, and the context in which the changes occurred and the decisions have been taken.

The Annual Remuneration Report reports on how the Directors' Remuneration Policy (which was approved by shareholders on 7 May 2014) ("the Policy") has been implemented and provides details of the Directors' pay for the financial year ended 31 December 2015.

The text of the approved Policy is included for reference only on pages 88 to 96 of the 2015 Annual Report and is not being voted on this year.

1.2 Resolutions 4-12 – 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 Harriet Green, Chris Grigg, Paula Rosput Reynolds, Nick Rose and Ian Tyler), 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

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 assumed the chairmanship 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, President of the Confederation of British Industry and Deputy Chairman of the Court of the Bank of England. Throughout his career, he has served on a number of external committees, including the Higgs Committee on Corporate Governance, Business for New Europe and the Prime Minister's Advisory Group.

Other appointments: Vice Chairman of the BBC Trust, a senior adviser to Kohlberg Kravis Roberts, a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce, an honorary Fellow of the Institute of Chartered Secretaries and Administrators, and a visiting fellow to the Saïd Business School, Oxford.

Other past appointments: Chairman of Thames Water plc and Mitchells & Butlers plc.

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 Officer of BAE Systems, Inc., 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. Earlier in his career, he spent almost a decade as an acquisition official at the US Department of Defense.

Other appointments: Non-executive director of Aero Communications, Inc.

Committee membership: Non-Executive Directors' Fees Committee.

Harriet Green OBE – Non-executive director

Appointed to the Board: 2010 *Nationality:* British

Skills and experience: Harriet Green is Vice President and General Manager, Internet of Things, Commerce and Education at IBM. She previously served as Chief Executive Officer and executive director of Thomas Cook Group plc and, prior to that, was Chief Executive Officer and executive director of Premier Farnell plc. She is a member of the British Chambers of Commerce's International Advisory Council and has served as a member of the Prime Minister's Business Advisory Group.

Other past appointments: Non-executive director of Emerson Electric Co., and senior vice president of Arrow Electronics, Inc.

Committee membership: Corporate Responsibility Committee and Nominations Committee.

Christopher Grigg – Non-executive director

Appointed to the Board: 2013 *Nationality:* British

Skills and experience: Chris Grigg 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 Corporate Responsibility Committee and Nominations 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 past 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.

Other appointments: Non-executive director of SSE plc and chairman of its Audit Committee.

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, 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. She was then appointed as Vice Chairman and Chief Restructuring Officer of American International Group, Inc. (AIG) from October 2008 to September 2009.

Other appointments: Non-executive director of BP p.l.c., TransCanada Corporation and CBRE Group, Inc.

Other past appointments: Non-executive director of Coca-Cola Enterprises, Inc., Anadarko Petroleum Corporation, Delta Air Lines, Inc., and Air Products and Chemicals, Inc.

Committee membership: Chairman of the Remuneration Committee, and member of the Audit Committee and Nominations Committee.

Nicholas 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 at Diageo including group treasurer and group controller, having spent his earlier career with Ford Finance.

Other appointments: Chairman of Williams Grand Prix Holdings PLC. Non-executive director and Senior Independent Director of BT Group plc, adviser to CCMP Capital Advisors, LLC.

Other past appointments: Chairman of Edwards Group Limited, and 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.

Ian Tyler – Non-executive director

Appointed to the Board: 2013 *Nationality:* British

Skills and experience: Ian Tyler served as Chief Executive of Balfour Beatty plc for a period of 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 AWE Management Limited, Cairn Energy PLC and Bovis Homes Group PLC, and non-executive director of Mediclinic International plc.

Other past appointments: Non-executive director of Cable & Wireless Communications Plc and VT Group plc.

Committee membership: Chairman of the Corporate Responsibility Committee, and Member of the Audit Committee and Nominations Committee.

1.3 Resolution 13 – Director 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. Elizabeth Corley was appointed to the Board on 1 February 2016. As a highly respected leader in the financial services industry and member of the Financial Reporting Council, the Board believes that Elizabeth Corley will bring considerable business acumen, international perspective and strong governance credentials to the Board.

The Board recommends that shareholders vote in favour of the election to the Board of Elizabeth Corley whose biographical details are as follows:

Elizabeth Corley CBE – Non-executive director

Appointed to the Board: 2016 *Nationality:* British

Skills and experience: Elizabeth Corley was appointed to the Board on 1 February 2016. She has served as Chief Executive of Allianz Global Investors since 2012, and is stepping back from this role to take on a position with AllianzGI as vice chair on a part-time non-executive basis with effect from March 2016. Prior to joining Allianz in 2005, she spent eleven years working at Merrill Lynch Investment Managers (formerly Mercury Asset Management). She was previously a partner with Coopers & Lybrand.

Other appointments: Non-executive director of Pearson plc, the Financial Reporting Council, and the supervisory board of Euler Hermes, a member of the European Securities and Markets Authority's stakeholder group and an advisory council member of TheCityUK.

Committee membership: Member of the Nominations Committee and Remuneration Committee.

1.4 Incoming Chief Operating Officer

On 15 February 2016 the Company announced the appointment of Charles Woodburn, a British national, to the role of Chief Operating Officer and executive director during the second quarter of 2016. The effective date of his appointment has subsequently been confirmed as 9 May 2016 and, pursuant to the Company's Articles of Association, he will be subject to election by the shareholders at the 2017 AGM.

1.5 Resolution 16 – 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 2017, whichever is earlier, up to a maximum aggregate amount of £100,000.

1.6 Resolutions 17 and 18 – Authority to issue shares**Resolution 17 – Authority to allot shares**

The purpose of Resolution 17 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 £26,390,369 which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 15 March 2016, 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 £26,390,369. 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 15 March 2016, 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 15 March 2016, the Company held 300,279,058 treasury shares which represents 9.48 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 2017 and the end of the Annual General Meeting in 2017.

Resolution 18 – 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 18 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (i) of Resolution 17, or sell treasury shares, for cash (a) in connection with a pre-emptive offer and (b) otherwise up to a nominal value of £7,917,902, equivalent to approximately ten per cent of the total issued ordinary share capital of the Company exclusive of treasury shares, and 9.13 per cent of the total issued ordinary share capital of the Company inclusive of treasury shares as at 15 March 2016, 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 18 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (ii) of Resolution 17, 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 18 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.

The Board intends to adhere to the provisions in the Pre-emption Group's Statement of Principles, as updated in March 2015, and not to allot shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 18(i):

- (i) in excess of an amount equal to 5 per cent of the total issued ordinary share capital of the Company excluding treasury shares; or
- (ii) in excess of an amount equal to 7.5 per cent of the total issued ordinary share capital of the Company excluding treasury shares within a rolling three-year period, without prior consultation with shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the allotment or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

1.7 Resolution 19 – 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 316,716,098 ordinary shares, this being approximately 10 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 15 March 2016, the latest practicable date prior to the publication of this Notice. As at 15 March 2016 there were 50,328,335 options to subscribe for ordinary shares outstanding, representing 1.59 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 1.77 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 2017 and 30 June 2017.

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 purchased shares under the current share-buyback authority granted by shareholders at the 2015 Annual General Meeting in

relation to a three year on-market share repurchase programme of up to £1 billion that was announced on 21 February 2013.

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. In its Annual Report for the financial year ended 31 December 2015, the Company has stated that, as part of the allocation of capital, its policy is to make accelerated returns of capital to shareholders when the balance sheet allows, only when the return from doing so is in excess of the Group's Weighted Average Cost of Capital.

The Directors currently intend any shares bought back under this authority to be cancelled.

1.8 Resolution 20 - 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 20 seeks approval of the renewal of this authority which will be effective until the Company's next Annual General Meeting in 2017, 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

Copies of the executive Directors' service contracts, the Chairman and non-executive Directors' letters of appointment, and the Directors' Indemnities, 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.

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.

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 to 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 following 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 or phone 03457 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.

Please note that there are major roadworks ongoing at the Queen's Roundabout and its approach roads and you should therefore allow sufficient time to complete your journey.

