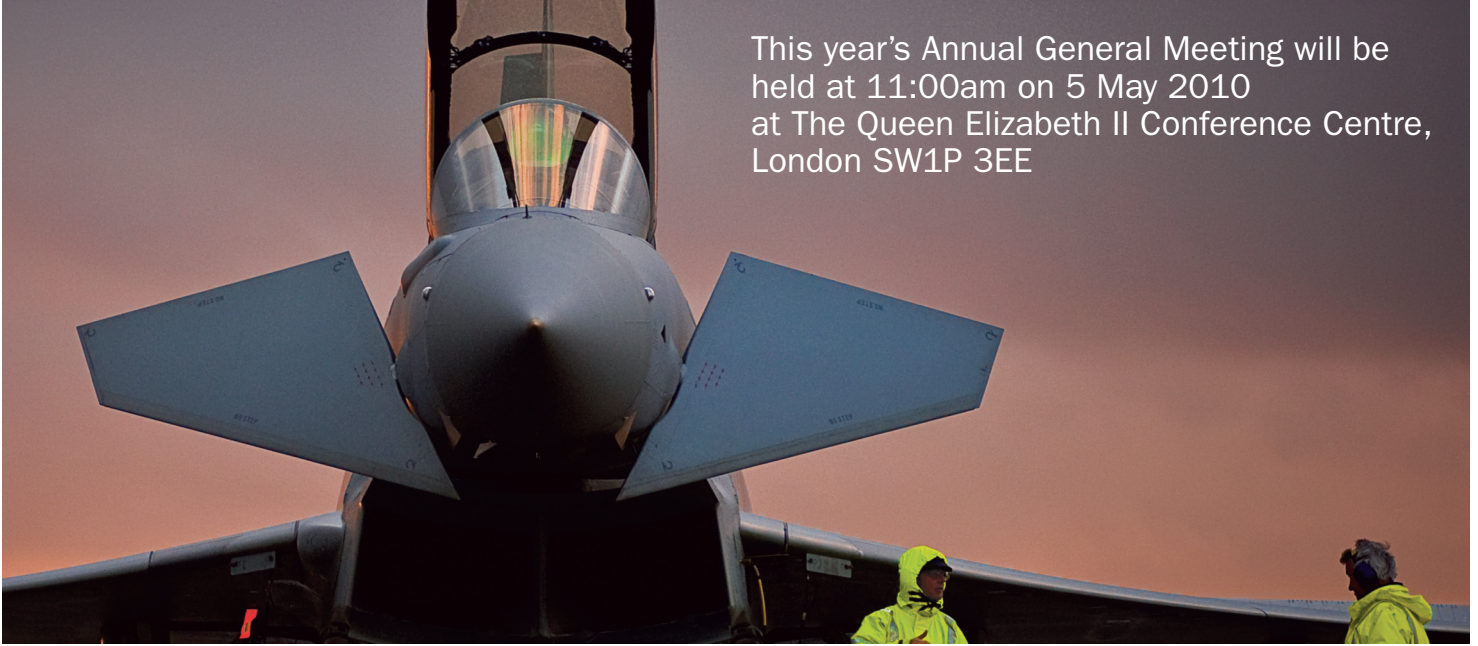


# Notice of Annual General Meeting 2010



This year's Annual General Meeting will be held at 11:00am on 5 May 2010 at The Queen Elizabeth II Conference Centre, London SW1P 3EE

This document includes the Notice of Meeting which 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.

## The Board supports all of the resolutions to be put to the AGM.

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 2009 Report & Accounts, or a notification that this is available to be viewed on our website, 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 the most 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.

A buffet lunch will be provided for shareholders attending the AGM.

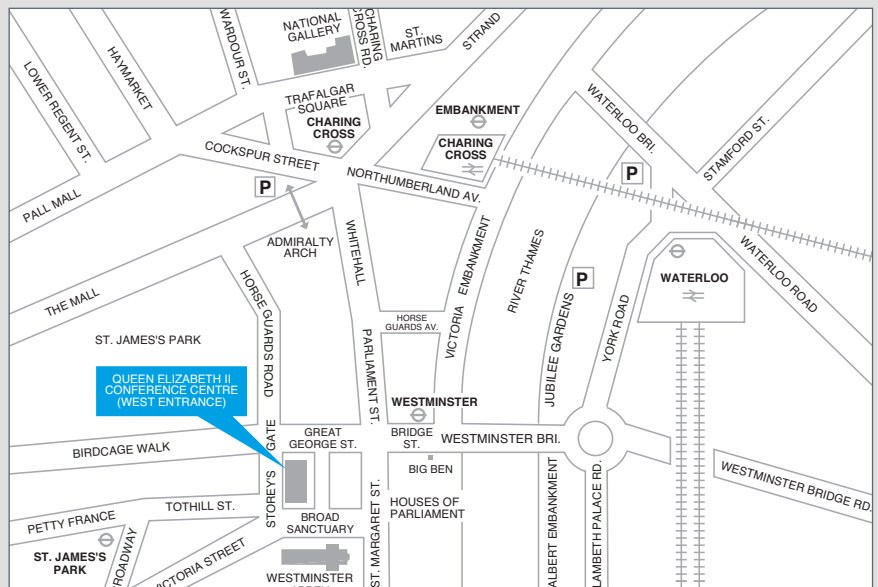
## IMPORTANT

### 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



**BAE SYSTEMS**

REAL PERFORMANCE. REAL ADVANTAGE.

## 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 the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Wednesday 5 May 2010 at 11.00am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-13, which will be proposed as ORDINARY RESOLUTIONS:

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

THAT the audited accounts of the Company for the year ended 31 December 2009 and the Directors' Report and Auditors' Report thereon now laid before this meeting be and are hereby received.

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

THAT the Directors' Remuneration Report for the year ended 31 December 2009 be and is hereby approved.

#### **RESOLUTION 3 – Authorisation of the payment of the final dividend**

THAT the final dividend for the year ended 31 December 2009 of 9.6 pence per ordinary share be and is hereby declared payable on 1 June 2010 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 23 April 2010.

#### **RESOLUTION 4 – Re-election of director**

THAT Michael Hartnall retiring pursuant to Article 80 be and is hereby re-elected a Director of the Company.

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

THAT Sir Peter Mason retiring pursuant to Article 80 be and is hereby re-elected a Director of the Company.

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

THAT Richard Olver retiring pursuant to Article 80 be and is hereby re-elected a Director of the Company.

#### **RESOLUTION 7 – Election of director**

THAT Paul Anderson retiring pursuant to Article 86 be and is hereby elected a Director of the Company.

#### **RESOLUTION 8 – Election of director**

THAT Linda Hudson retiring pursuant to Article 86 be and is hereby elected a Director of the Company.

#### **RESOLUTION 9 – Election of director**

THAT Nicholas Rose retiring pursuant to Article 86 be and is hereby elected a Director of the Company.

#### **RESOLUTION 10 – Reappointment of the Auditors**

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

#### **RESOLUTION 11 – 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 12 – 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 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 2011 or 30 June 2011:
  - (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;

- (ii) all existing authorisations and approvals relating to political donations or expenditure under Part 14 of the Companies Act 2006 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 Companies Act 2006 shall have same meaning in this resolution.

#### **RESOLUTION 13 – Authority to allot new shares**

THAT the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with Section 551 of the Companies Act 2006 (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:

- (i) up to a nominal amount of £29,296,994;
- (ii) comprising equity securities (as defined in Section 560(1) of the 2006 Act) up to a further nominal amount of £29,296,994 in connection with an offer by way of a rights issue;

such authorities to apply in substitution for all previous authorities pursuant to Section 80 of the Companies Act 1985 and to expire at the conclusion of the Company's Annual General Meeting in 2011 or on 30 June 2011, whichever is the earlier but, in each case, 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.

For the purposes of this resolution, "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 14-17 which will be proposed as SPECIAL RESOLUTIONS:

#### **RESOLUTION 14 – Disapplication of pre-emption rights**

THAT subject to the passing of Resolution 13 above, the Directors be and are hereby empowered to allot equity securities (as defined in Section 560(1) of the 2006 Act) wholly for cash:

- (i) pursuant to the authority given by paragraph (i) of Resolution 13 above or where the allotment constitutes an allotment of equity securities by virtue of Section 560(2) of the 2006 Act in each case:
  - (a) in connection with a pre-emptive offer; and
  - (b) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount of £4,394,988; and
- (ii) pursuant to the authority given by paragraph (ii) of Resolution 13 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 2011 or on 30 June 2011, whichever is the earlier but so

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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:

- (a) "rights issue" has the same meaning as in Resolution 13 above;
- (b) "pre-emptive offer" means an offer of equity securities open for acceptance for a period fixed by the Directors to (a) holders (other than the Company) on the register on a record date fixed by the Directors of ordinary shares in proportion to their respective holdings, and (b) other persons so entitled by virtue of the rights attaching to any other equity securities held by them, 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;
- (c) references to an allotment of equity securities shall include a sale of treasury shares; and
- (d) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the Company, the nominal amount of such shares which may be allotted pursuant to such rights.

### RESOLUTION 15 – Authority to purchase own shares

THAT the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Companies Act 2006 to make market purchases (as defined in Section 693 of the Companies Act 2006) of 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 351,599,099;
- (b) the minimum price which may be paid for each share is 2.5p;
- (c) the maximum price that 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 on the conclusion of the Annual General Meeting of the Company held in 2011 or, if earlier, 30 June 2011 (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 16 – Amendments to the Articles of Association

THAT the Articles of Association of the Company be and are hereby amended so that they shall be in the form of the amended Articles of Association produced to the meeting and initialled by the Chairman of the Company for the purpose of identification.

### RESOLUTION 17 – 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

29 March 2010

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). 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 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. Electronic proxy appointments must be received no later than 11.00am UK time on 3 May 2010. CREST members who wish to appoint proxies through the CREST electronic proxy 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 6GT not later than 11.00am UK time on 3 May 2010, 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 3 May 2010.
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,

## NOTICE OF ANNUAL GENERAL MEETING (continued)

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 3 May 2010 or, if the meeting is adjourned, 48 hours 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 14 March 2010 (being the latest practicable business day prior to the publication of this Notice) the Company's issued share capital consisted of 3,586,118,416 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 70,127,418 as of 14 March 2010) 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 14 March 2010 is 3,515,990,998. 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. 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](http://www.euroclear.com/CREST)). 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 3 May 2010, 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 for 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](http://www.baesystems.com/reporting).
20. Shareholders may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

## NOTES ON THE RESOLUTIONS

### 1. NOTES ON THE RESOLUTIONS

#### 1.1 Resolution 2 – Approval of the Directors' Remuneration Report

The Directors' Remuneration Report is required to be laid before the shareholders in general meeting and voted on. The report can be found on pages 90 to 111 of the Company's Annual Report 2009.

#### 1.2 Resolutions 4, 5 and 6 – Directors standing for re-election

The Company's Articles of Association require that once every three years Directors seek re-election to the Board at an Annual General Meeting. The Chairman has confirmed that Michael Hartnall and Sir Peter Mason, who are seeking re-election, 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.

The Chairman himself is also seeking re-election to the Board under the same provision in the Articles of Association. On the basis of the feedback received through the Board's performance evaluation process, Sir Peter Mason, in his capacity as Senior Independent Director, has confirmed that Dick Olver continues to be an effective Chairman and demonstrates commitment to his role as Chairman.

The biographies of those Directors retiring at the Annual General Meeting who wish to seek re-election are as follows:

##### Michael Hartnall – Non-executive director

Michael Hartnall, 67, was appointed to the Board in 2003. He is a former finance director of Rexam plc, prior to which he held senior positions with a number of manufacturing companies. He is a non-executive director of Lonmin plc and a former non-executive director of Elementis plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

Mr Hartnall chairs the Board's Audit Committee.

##### Sir Peter Mason KBE – Non-executive director

Sir Peter Mason, 63, was appointed to the Board in 2003 and is chairman of Thames Water and chairman of Acergy S.A. He has held a number of appointments in the engineering and construction industry and was formerly chief executive of AMEC plc, executive director of BICC plc, chairman and chief executive of Balfour Beatty Limited and chief executive of Norwest Holst Group PLC. He was a board member of British Trade International from 2000-2005, and was awarded a KBE in 2002 for services to international trade.

Sir Peter has been appointed the Board's Senior Independent Director.

##### Richard Olver – Chairman

Dick Olver, 63, was appointed as Chairman in July 2004 having joined the Board earlier that year. A civil engineer, he joined BP in 1973 where he held a variety of senior positions culminating in his appointment to the board of BP p.l.c. as CEO of Exploration and Production in 1998. He was subsequently appointed deputy group chief executive of BP in 2003, stepping down from that position when he assumed the chairmanship of BAE Systems. He is a Fellow of the Royal Academy of Engineering and Chair of the Education for Engineering Policy Group (E4E), a Business Ambassador for UK Trade & Investment, and a member of the Business Council for Britain and the Trilateral Commission. He is a former non-executive director of Thomson Reuters plc.

Mr Olver chairs the Board's Nominations Committee and the Non-Executive Directors' Fees Committee.

Philip Carroll is retiring, pursuant to Article 80 of the Company's Articles of Association, at the conclusion of the 2010 Annual General Meeting and is not seeking re-election.

#### 1.3 Resolutions 7, 8 and 9 – Election of Directors

Under the Combined Code on Corporate Governance the Board is

required to set out the reasons for the election of non-executive directors. Paul Anderson was appointed to the Board in a non-executive capacity in October 2009. The Board believes that Mr Anderson brings valuable international knowledge and experience to the BAE Systems Board, given his track record of performance within the natural resources and energy industry across a number of continents, that will be of significant benefit to the Company.

Nick Rose was appointed to the Board in a non-executive capacity in February 2010. The Board considers Mr Rose to have excellent global business expertise and boardroom experience that will be a great asset to the Board and further strengthen the complement of its membership.

The Company's Articles of Association require that all Directors appointed to the Board seek election at the Annual General Meeting immediately following their appointment. Following the appointment of Paul Anderson and Nick Rose to the Board in October 2009 and February 2010 respectively, and also the appointment to the Board of a new Chief Operating Officer, Linda Hudson, in October 2009, each of these Directors is required to seek election at this year's meeting.

The Board recommends that shareholders vote in favour of the election to the Board of Ms Hudson and Messrs Anderson and Rose whose biographical details are as follows:

##### Paul Anderson

Paul Anderson, 64, was appointed to the Board on 8 October 2009. He retired as Chairman of Spectra Energy Corporation in May 2009 where he remains a non-executive director. 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. In the intervening period he served as managing director and chief executive officer of BHP and, subsequently, of the newly merged BHP Billiton of which he remained a non-executive director until January 2010. He is a non-executive director of BP p.l.c. and a former non-executive director of Qantas Airways Limited.

Mr Anderson is a member of the Corporate Responsibility Committee and will succeed Phil Carroll as a member of the Nominations Committee.

##### Nicholas Rose

Nick Rose, 52, was appointed to the Board on 8 February 2010. He has held the appointment of Chief Financial Officer of Diageo plc since 1999 where, in addition to his finance responsibilities, he is also responsible for supply, procurement, strategy and IT on a global basis. He has served in a number of finance roles since joining Diageo's predecessor company, Grand Metropolitan, in 1992, including group treasurer and group controller. Prior to that he spent 11 years with Ford Finance. He is a former non-executive director of Môt Hennessy SNC and Scottish Power plc.

Mr Rose is a member of the Audit Committee and the Remuneration Committee.

##### Linda Hudson

Linda Hudson, 59, was appointed to the Board on 26 October 2009 as Chief Operating Officer and is also President and CEO of BAE Systems, Inc, succeeding Walt Havenstein who resigned from the Board in June 2009. Linda Hudson was previously President of the Company's US-based Land & Armaments Operating Group. She joined the Company at the end of 2006 from General Dynamics where she had worked since 1992 in a variety of roles culminating in her appointment as Corporate Vice President and President, Armament and Technical Products. She serves on the United Service Organization's Worldwide Board of Governors, the Association of the United States Army Council of Trustees and engineering advisory boards for engineering programmes at the universities of Maryland and Florida.

Ms Hudson holds a bachelor's degree in Systems Engineering and was the first woman to receive the National Infantry Association's Military

## NOTES ON THE RESOLUTIONS (continued)

Order of Saint Maurice in recognition of her outstanding support of US Army Infantry.

Ms Hudson is a member of the Non-Executive Directors' Fees Committee.

### 1.4 Resolution 12 – 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 for the period from the date of the Annual General Meeting to the conclusion of next year's Annual General Meeting or 30 June 2011, whichever is earlier, up to a maximum aggregate amount of £100,000.

### 1.5 Resolutions 13 and 14 – Authority to issue shares

#### Resolution 13 – Authority to allot shares

The purpose of Resolution 13 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 £29,296,994 which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 14 March 2010, 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 £29,296,994. 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 14 March 2010, 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 14 March 2010, the Company held 70,127,418 treasury shares which represents 1.99 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 2011 and the end of the Annual General Meeting in 2011.

#### Resolution 14 – 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 14 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (i) of Resolution 13, or sell treasury shares, for cash (a) in connection with a pre-emptive offer and (b) otherwise up to a nominal value of £4,394,988, equivalent to approximately 4.90 per cent of the total issued ordinary share capital of the Company including treasury shares as at 14 March 2010, 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 14 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by paragraph (ii) of Resolution 13, 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 14 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 requirements of the statutory pre-emption provisions.

#### 1.6 Resolution 15 – 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 ten 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 351,599,099 ordinary shares, this being approximately ten per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 14 March 2010, the latest practicable date prior to the publication of this Notice. As at 14 March 2010 there were 34,337,406 options to subscribe for ordinary shares outstanding, representing 0.98 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 1.09 per cent of the Company's issued ordinary share capital (excluding treasury shares).

The authority will last until the earlier of the Company's Annual General Meeting in 2011 and 30 June 2011.

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. The Directors believe that it is desirable for the Company to have this choice and therefore intend to hold any shares purchased under this authority as treasury shares. Holding the repurchased shares as treasury shares will give the Company the ability to re-sell or transfer them in the future, and so provide 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 will only purchase ordinary shares if the Directors believe that it is in the shareholders' best interests and will increase earnings per share.

On 18 February 2010 the Company announced that in 2010 it would initiate a programme to return up to £500 million to shareholders by way of a market purchase of shares. This programme is set in the context of an appropriately balanced use of capital. The buy-back programme commenced on 22 February 2010 and, as at 14 March 2010, the latest practicable date prior to publication of this Notice, the Company had purchased 26,790,000 ordinary shares, amounting to a return to shareholders of approximately £101 million. The purchased shares are being held in treasury. The Company may therefore continue to purchase shares pursuant to this programme under the authority being sought in Resolution 15.

### **1.7 Resolution 16 – Amendments to the Articles of Association**

It is proposed in Resolution 16 to amend the Company's Articles of Association (the "New Articles") in order to update the Company's current Articles of Association (the "Current Articles") primarily to take account of the coming into force of the Companies (Shareholders' Rights) Regulations 2009 (the "Shareholders' Rights Regulations") and the implementation of the last parts of the Companies Act 2006.

The principal changes introduced in the New Articles are summarised in the Appendix to this Notice. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 or the Shareholders' Rights Regulations, or conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in the Appendix. The New Articles showing all the changes to the Current Articles are available for inspection, as noted in paragraph 2 below.

### **1.8 Resolution 17 – 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 Shareholders' Rights Regulations came into force on 3 August 2009, the Company was able to call general meetings other than an AGM on 14 clear days' notice without obtaining such shareholder approval. In anticipation of the implementation of the Shareholders' Rights Regulations, the Company obtained shareholder approval at the AGM in May 2009 to preserve the ability to call general meetings other than an AGM on 14 clear days' notice until the Company's 2010 Annual General Meeting. Resolution 17 seeks approval of the renewal of this authority which will be effective until the Company's Annual General Meeting in 2011, 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 amended Articles of Association showing all the changes to the current Articles of Association as proposed in Resolution 16, will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and 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 amended Articles of Association showing all the changes to the current Articles of Association as proposed in Resolution 16, will also be available for inspection 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 (FOR ARTICLE AMENDMENTS)

### Explanatory notes of principal changes to the Company's Articles of Association

#### **1. Security and orderly conduct**

Provisions dealing with the security and orderly conduct of general meetings have been incorporated into the New Articles.

#### **2. Adjournments for lack of quorum**

Under the Companies Act 2006 (as amended by the Shareholders' Rights Regulations), general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

#### **3. Adjournments without consent**

The model articles for public companies produced by the Department for Business, Innovation and Skills give the chairman the power to adjourn a meeting without the consent of the meeting, in particular in order to restore order or protect the safety of the attendees. The Current Articles have been amended to reflect the latter and to bring them into line with the common law and market practice.

#### **4. Conduct of satellite meetings**

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of meetings in two or more locations. The Current Articles have been amended to reflect more closely the relevant provisions.

#### **5. Poll voting**

Under the Companies Act 2006 a poll on a resolution may be demanded by not less than five members. The Current Articles have been amended to reflect this members' right.

#### **6. Voting by proxies on a show of hands**

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The Current Articles have been amended to reflect these changes.

#### **7. Pre-acquisition profits**

The Current Articles have been amended to remove the provision dealing with pre-acquisition profits as it is considered obsolete and unnecessary in light of statutory provisions and applicable accounting standards.

#### **8. General**

Generally the opportunity has been taken to amend the Current Articles to conform certain provisions with the current requirements of the Listing Rules of the United Kingdom Listing Authority.

#### **Recommendation**

Your Directors consider that each of the proposals detailed in this 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.