



# Environmental, Social and Governance Committee

## Terms of Reference

*References to "the Committee" shall mean the Environmental, Social and Governance Committee.  
References to "the Board" shall mean the Board of Directors of BAE Systems plc.*

### **1. Purpose**

The purpose of the Environmental, Social and Governance Committee is to assist the Board in promoting the long-term sustainable success of the Company with regard to ESG matters.

1. In these terms of reference "ESG matters" or "ESG" refers to the following areas:

1.1. Environmental: the Company's climate transition strategy and impact on the environment including; greenhouse gas emissions, efficient use of resources, land use and biodiversity, and the environmental impact of the Group's supply chain.

1.2. Social, the Company's responsibilities towards:

- i) employees, including workplace policies concerning safety and wellbeing, engagement, diversity and inclusion and other standards detailed within the Company's Global Code of Conduct.
- ii) Engagement with the local communities in which the Company operates.
- iii) customers and other stakeholders, and the application of human rights to such stakeholder groups and the Company's operations.

1.3. Governance: the conduct of the Company's business including; corporate governance, business ethics, anti-bribery and corruption programme, commercial and product governance, data privacy and security.

### **2. Membership**

2.1. The Committee shall have at least three members, each of whom shall be appointed by the Board.

2.2. All members of the Committee shall be Non-Executive Directors of the Company who are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement. The Chairman of the Board shall not be a member of the Committee.

2.3. The Board shall appoint the Committee Chair.

### **3. Secretary**

3.1. The Company Secretary or designated representative shall act as the Secretary to the Committee.

#### **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be two. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

#### **5. Meetings**

- 5.1. A schedule of meeting dates and a programme of activities shall be agreed each year by the Committee.
- 5.2. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any member thereof, the Director of Governance, Conduct and Sustainability or the Internal Audit Director. The Director of Governance, Conduct and Sustainability and the Internal Audit Director shall have direct access to the Chair of the Committee.
- 5.3. The Committee may ask any Director who is not a member of the Committee and any senior manager of the Company to attend meetings of the Committee either regularly or by invitation. Such invitees shall have no right of attendance.

#### **6. Minutes of Meetings**

- 6.1. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 6.2. The Minutes of Committee meetings shall be circulated to all members of the Board after they have been approved by the Committee unless the Chair of the Committee deems it inappropriate to do so because of the nature of any matter discussed at a particular meeting.

#### **7. Annual General Meeting**

- 7.1. The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.
- 7.2. The Committee shall produce a report on its activities during the year to be included in the Company's annual report and accounts.

#### **8. Duties**

- 8.1. Assist the Board in overseeing the development of the Group's ESG strategy and monitoring its performance in relation to ESG matters.
- 8.2. Review the effectiveness of risk management and internal control policies where relevant to ESG matters.
- 8.3. Oversee and support stakeholder engagement on ESG matters.
- 8.4. Review, prior to approval by the Board, the ESG matters to be presented in the Company's annual report and monitor the integrity of these reports.
- 8.5. Oversee and monitor the Group's progress against its net zero, decarbonisation strategy.

- 8.6. Pursuant to Provision 5 of the UK Corporate Governance Code, oversee Board and senior management engagement with the Company's workforce, with the aim of strengthening the 'employee voice' in the boardroom and developing a better understanding of employee views.
- 8.7. Agree a programme of workforce engagement to be undertaken either by individual members of the Committee or collectively, ensuring that the agreed approach to such engagement delivers meaningful, regular dialogue with employees. In turn, the Committee shall help to ensure that the views of the workforce are represented in discussions and decision-making by the Board.
- 8.8. Review the operation and efficacy of the mechanisms in place for employees to obtain advice or raise and report concerns, in confidence, where there may be potential improprieties. This includes the operation of the Company's Ethics Helpline.
- 8.9. Make proposals to the Remuneration Committee regarding appropriate ESG related performance objectives for Executive Directors. Provide an assessment as to the outcomes of the ESG related performance objectives as at the end of the reporting period.
- 8.10. Review Internal Audit reports on ESG matters and assess the management response to any findings. Monitor the role and effectiveness of the Internal Audit function in regards to ESG matters. Additionally, monitor the development of the capability and capacity of the Internal Audit function to perform its role with regards to assurance of ESG matters.
- 8.11. The Committee and the Audit Committee shall hold at least one joint meeting a year to review and approve a programme of internal audit work each year aimed at assessing the effectiveness of policies and processes relating to ESG matters.
- 8.12. Review regularly the requirement for external assurance of ESG matters and, as may be deemed necessary, appoint external third-parties to carry out assurance of the effectiveness of ESG related policies, processes and initiatives and the accuracy of the reporting of ESG matters.

## **9. Authority**

- 9.1. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties.
- 9.2. The Committee shall oversee, on behalf of the Board, any investigations concerning matters detailed in these Terms of Reference.
- 9.3. In connection with its duties and at the Company's expense, the Committee may obtain professional advice on any matters covered by these Terms of Reference.