

BAE Systems plc 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.

References to the “Group” shall mean the BAE Systems plc and its subsidiary undertakings or (where required to ensure compliance with the Special Security Agreement between BAE Systems, Inc., BAE Systems plc and the U.S. Department of Defense (as amended from time to time)) BAE Systems plc and its subsidiary undertakings other than BAE Systems, Inc., its subsidiary undertakings and managed businesses.

1. Purpose

Oversight of the management of climate, social and business responsibility matters, including review of progress against objectives and targets.

For these purposes:

- 1.1. “environmental matters” refer to the Group’s climate resilience and transition strategy; climate-related impacts on the Group and its value chain; and the Group’s impact on the climate including, greenhouse gas emissions, energy consumption, efficient use of resources, land use and biodiversity.
- 1.2. “social matters” refer to the Group’s responsibilities towards employees; the local communities within which the Group operates; and shareholders, customers and other stakeholders.
- 1.3. “governance matters” refer to the conduct of the Group’s business, including: its anti-bribery and corruption programmes, responsible trading governance and any governance matters which specifically apply to the defence sector and its stakeholders.

2. Membership

- 2.1. The Committee shall have at least three members, each of whom shall be appointed by the Board on the recommendation of the Nominations Committee, in consultation with the Committee Chair.
- 2.2. All members of the Committee shall be independent 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.

3. Attendees

- 3.1 Only members of the Committee have the right to attend Committee meetings.
- 3.2 Non-executive directors who are not members of the Committee may attend Committee meetings unless agreed otherwise by the Committee. Chair of the Audit and Risk Committee will likely attend all Committee meetings.
- 3.3 Others, including external advisers, may attend by invitation.

4. Quorum

Subject to the provisions of the Company's Articles, any two members may form a quorum. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the powers and discretions vested in or exercisable by the Committee. Members of the Committee may attend in person or participate by other means, including teleconference or video conference.

5. Committee Chair

The Board shall appoint the Committee Chair.

6. Committee Secretary

The Company Secretary or delegate.

7. Meetings

- 7.1 The Committee shall meet at least two times a year and otherwise as and when required. The Chair of the Committee shall call a meeting if requested to do so by the Chair of the Board, Group Chief Executive, Chief Financial Officer, or Group ESG, Culture & Business Transformation Director or any other three non-executive directors.
- 7.2 Unless otherwise agreed, the notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers (where appropriate), shall be sent to each member of the Committee, and to each other person invited to attend (as appropriate), not less than five days prior to the date of the meeting.
- 7.3 Outside of the formal meeting cycle, the Committee Chair shall maintain a dialogue with key individuals involved in the Group's environmental, social and governance matters, including the Chair of the Board, the Group Chief Executive, the Chief Finance Officer and the Group ESG, Culture & Business Transformation Director.

8. Minutes

- 8.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 8.2. Minutes of Committee meetings shall be circulated to all members of the Committee and 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.

9. Shareholder Engagement

- 9.1. The Committee shall produce a report on its activities during the year to be included in the Company's annual report and accounts. Such report shall be compliant with applicable corporate governance requirements.

9.2. The Committee shall review and recommend for approval the climate, social and business responsibility related sections of the Company's annual report and accounts.

10. Duties

The Committee shall carry out the following duties on behalf of the Board (which retains overall responsibility for matters concerning the Group's engagement and impact on the climate, social and business responsibility) for the Group, its subsidiary undertakings and the Group as a whole, as appropriate. As directed by the Board, the Committee may:

10.1. Environmental

Monitor the Group's approach to, and relevant policies on climate resilience and transition plans, including ensuring that the Group's approach is proportionate and stakeholder perspectives and Group activities are appropriately balanced.

10.2. Social

Review the Group's approach to and relevant policies on:

- community engagement, including social or community projects and partnerships, charitable giving;
- responsible supply chain;
- workforce skills and education;
- equality issues, including human rights risk and social mobility; and
- workplace environment, including wellbeing and health and safety.

10.3. Governance

Monitor the Group's policies and processes relating to

- anti-bribery and corruption, including the approach to advisers, lobbying and gifts and hospitality.
- responsible trading principles and policies; and
- any governance matters which specifically apply to the defence sector and its stakeholders.

10.4. Other

10.4.1. Monitor and review stakeholder perceptions of the Group's climate, social and responsible business activities, which are deemed relevant to the Group's business and make recommendations to the Board accordingly.

10.4.2. Make proposals to the Remuneration Committee regarding appropriate climate and social related performance objectives in accordance with the Company's Annual Incentive Plan and Long Term Incentive Plan. Provide an assessment as to the outcomes of these related performance objectives as at the end of the reporting period.

10.4.3. Monitor relevant external developments and make recommendations to the Board as appropriate.

10.4.4. Perform such further functions as the Board and the Committee may agree.

11. Reporting to the Board

11.1. Where appropriate, the Chair of the Committee shall report to the Board on the Committee's proceedings after each meeting.

11.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

12. Other matters

12.1. The Committee will give due consideration to the provisions of the UK Corporate Governance Code and all applicable laws and regulations, including the Companies Act 2006 and the requirements of the FCA's UK Listing Rules Sourcebook, Prospectus Regulation Rules Sourcebook and Disclosure and Transparency Rules Sourcebook and any other applicable rules, as appropriate.

12.2. Committee members shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

12.3. The Committee shall at least annually review its performance and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

13. Authority

In connection with its duties and at the Company's expense, the Committee is authorised by the Board to obtain legal and other professional advice as required as well as obtain other information which it deems necessary to help fulfil its obligations.

Approved by the Board on 10 December 2025
Effective from 5 January 2026