

## **BAE Systems plc Remuneration Committee - Terms of Reference**

References to the “Committee” shall mean the Remuneration 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**

Assisting the Board in fulfilling its responsibilities in determining the policy for directors’ remuneration and setting remuneration for the Chair of the Board, Executive Directors, Executive Committee and the Company Secretary. As appropriate, monitoring and making recommendations on the structures and levels of remuneration for other senior executives.

### **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 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. Others, including external advisers, may attend by invitation.
- 3.2. No director or senior executive should be involved in any decisions as to their own remuneration outcome.

### **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 who has served on a remuneration committee for at least 12 months.

### **6. Committee Secretary**

The Company Secretary or delegate.

## 7. Meetings

- 7.1. The Committee shall meet at least three 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 or any other three non-executive directors.
- 7.2. Unless otherwise agreed, 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 Chair (and to a lesser extent the other Committee members) shall maintain a dialogue with key individuals involved in the Group's governance including the Chair of the Board and the Group HR and Reward directors.

## 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. The Minutes of Committee meetings shall be approved by the Committee prior to, or at its next meeting, and be available to all Directors unless the Committee Secretary 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 comply with applicable legal and regulatory requirements.
- 9.2. 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. In addition, and where considered appropriate, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## 10. Duties

The Committee shall carry out the following duties on behalf of the Board (which retains overall responsibility for director and senior executive remuneration matters) for the Company, its subsidiary undertakings and the Group as a whole, as appropriate:

- (a) determine the policy for Executive Director remuneration and seek shareholder approval on policy on a periodic basis. The policy should be designed to support strategy and promote long-term sustainable success, aligning to Company's values and linked to the delivery of its long-term strategy.
- (b) ensure that remuneration policy and practices enable the use of discretion to override formulaic outcomes, and that directors' contracts and/or other agreements or documents

which cover director remuneration include malus and clawback provisions that would enable the Group to recover and/or withhold sums or share awards under appropriate specified circumstances. The Committee must ensure it has appropriate contractual powers to exercise such discretion in place to enable it to do so.

- (c) in determining remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the UK Corporate Governance Code, and associated guidance.
- (d) review Group workforce remuneration and related policies and the alignment of incentives and rewards with culture, and take these into account when setting the policy for executive remuneration.
- (e) in the context of the non-financial and strategic measures within the Annual Incentive or the Long-Term Incentive plans, consider the progress of the Group's workforce ambitions including those regarding diversity, equity and inclusion.
- (f) determine individual remuneration packages (including, where appropriate, bonuses, incentive payments, share based incentive schemes and post-retirement benefits) for the Chair of the Board and each Executive Director, ensuring that all elements of these packages, and all amounts payable under them, are within the scope of the remuneration policy as approved by shareholders.
- (g) determine individual remuneration packages (including, where appropriate, bonuses, incentive payments, share based incentive schemes and post-retirement benefits) for the members of the Executive Committee, the Company Secretary and any other senior executives as may be agreed.
- (h) agree and approve the terms and conditions to be included in the service agreements for the Chair of the Board, Executive Directors, members of the Executive Committee, the Company Secretary and other senior executives as may be agreed. Where applicable, the agreements shall include termination provisions that reduce any compensation payable to the executive as a consequence of his/her obligation to mitigate loss. The Committee should ensure that compensation commitments do not reward poor performance.
- (i) approve the creation of employee share incentive plans (and associated cash based plans), and authorise the granting of any awards under the rules of the plans. Ensure that all elements of the plans applicable to Executive Directors, and all vesting outcomes, are within the scope of the remuneration policy as approved by shareholders.
- (j) determine the performance and vesting conditions to be applied to all discretionary share plans (and associated cash based plans) and all-employee share plans operated by the Company, and exercise judgement and discretion, as may be appropriate, when determining

the remuneration outcomes of the plans, taking account of Group and/or individual performance and wider circumstances, as applicable.

- (k) determine any targets, objectives and other performance conditions that shall apply to all cash based incentive plans in which the Executive Director and other senior executives participate, and exercise judgement and discretion, as may be appropriate, when determining the remuneration outcomes of the plans. Ensure that all elements of the plans applicable to Executive Directors, and all amounts payable under them, are within the scope of the remuneration policy as approved by shareholders
- (l) ensure that Executive Directors and senior executives are required to acquire and retain significant long-term shareholdings in the Company, and, if agreed by the Committee, develop and implement a formal policy regarding post-employment shareholding requirements, encompassing both unvested and vested share plan awards.
- (m) ensure that the remuneration policy and incentive plans promote alignment with long-term shareholder interests by (where appropriate) including provisions which enable the Company to recover and/or withhold sums or awards, and specify the circumstances in which it would be appropriate to do so in accordance with plan rules and any associated documents, and to the extent the Committee in its absolute discretion may see fit, determine when it is appropriate to exercise and enforce the provisions.
- (n) liaise with major investors and their representatives to ensure that the Committee is aware of their views and policies concerning executive remuneration and takes account of these views when discharging its duties.
- (o) review and approve any disclosure the Company or Group is required to make in respect of pay gaps or disparity (such as under the UK's Equality Act 2010 (Gender Pay Gap Information) Regulations 2017).

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

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