

Notice of Annual General Meeting 2019



This year's Annual General Meeting will be held at **11.00am on Thursday 9th May 2019** at Hall 1, Farnborough Exhibition & Conference Centre, Farnborough, Hampshire GU14 6XE

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 2018 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 16 of this document.

By Road

Hall 1 is situated in Farnborough, Hampshire, to the south west of London, close to Junction 4 of the M3. Follow the Farnborough/Exhibition Centre signs on all major routes.

SatNav users should enter 'Gate A – Transport Road, GU14 6XE' and follow the signs to Hall 1 via Gate A.

Free parking is available at Hall 1 in the designated car park.

By Rail

The main railway station in Farnborough is Farnborough Main. Other railway stations in the vicinity of Hall 1 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 railway station and Hall 1. 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 Hall 1, Farnborough Exhibition & Conference Centre, Farnborough, Hampshire GU14 6XE on Thursday 9 May 2019 at 11.00 am for the purpose of transacting the following business:

To consider, and if thought fit, to pass the following Resolutions 1-18, 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 2018 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 92 to 115 of the Annual Report and Accounts for the financial year ended 31 December 2018) 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 2018 of 13.2 pence per ordinary share be and is hereby declared payable on 3 June 2019 to Ordinary Shareholders whose names appeared on the Register of Members at the close of business on 23 April 2019.

RESOLUTION 4 – Re-election of director

THAT Revathi Advaiti be and is hereby re-elected a Director of the Company.

RESOLUTION 5 – Re-election of director

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

RESOLUTION 6 – Re-election of director

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

RESOLUTION 7 – Re-election of director

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

RESOLUTION 8 – Re-election of director

THAT Harriet Green be and is hereby re-elected a Director of the Company.

RESOLUTION 9 – Re-election of director

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

RESOLUTION 10 – Re-election of director

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

RESOLUTION 11 – Re-election of director

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

RESOLUTION 12 – Re-election of director

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

RESOLUTION 13 – Re-election of director

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

RESOLUTION 14 – Re-election of director

THAT Charles Woodburn be and is hereby re-elected a Director of the Company.

RESOLUTION 15 – Re-appointment of the Auditors

THAT Deloitte 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 16 – 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 17 – 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 2020 or close of business on 30 June 2020:

- (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 18 – Authority to allot new shares

THAT 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 2020 or at the close of business on 30 June 2020, whichever is the earlier, and for such period the Section 551 Amount shall be £26,638,740.

The authorities in this Resolution apply in substitution for all previous authorities pursuant to Section 551 of the 2006 Act.

To consider, and if thought fit, to pass the following Resolutions 19 to 22 which will be proposed as SPECIAL RESOLUTIONS:

RESOLUTION 19 – Disapplication of pre-emption rights

THAT, subject to the passing of Resolution 18 above, 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 £3,996,210.

Such authority shall be in substitution for all previous powers pursuant to Section 561 of the 2006 Act.

RESOLUTION 20 – 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 319,696,861;
- (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 by Regulatory Technical Standards adopted by the European Commission pursuant to article 5(6) of the EU Market Abuse Regulation;
- (d) this authority shall expire at the conclusion of the Annual General Meeting of the Company held in 2020 or, if earlier, at the close of business on 30 June 2020 (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 21 – 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 22 – 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
28 March 2019
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 7 May 2019. 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 7 May 2019, 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 7 May 2019.
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 6.30pm on 7 May 2019 or, if the meeting is adjourned, 6.30pm 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 17 March 2019 (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 270,471,431 as of 17 March 2019) 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 17 March 2019 is 3,196,968,613. 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/her 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/she 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 7 May 2019, 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/her 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 92 to 115 of the 2018 Annual Report) is being put to the shareholders as an annual advisory vote.

As required by regulation, the statement by the Chairman of the Remuneration Committee covers major decisions on directors' remuneration during the year, 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 Company's Remuneration Policy has been implemented and sets out payment made in the financial year ended 31 December 2018. The Company's current Remuneration Policy came into force at the end of the 2017 AGM on 10 May 2017 following its approval by shareholders at that meeting.

1.2 Resolutions 4-14 – Directors Standing For Re-election

In line with the provisions of the UK Corporate Governance Code all directors are standing for re-election to the Board.

The Chairman (and the Senior Independent Director in respect of the Chairman) has confirmed that, based on the formal performance evaluations undertaken in 2018, all of the directors remain committed to the role and the individual performance and contribution of all directors continues to be effective. The biographies set out opposite summarise the skills, competence and experience of each of the directors which highlight their individual contributions to the Board and their composite expertise.

Directors' Biographies

Revathi Advaiti – Non-executive director

Appointed to the Board: 2018

Nationality: US

Skills, competence and experience: Revathi brings extensive operational experience and a deep understanding of digital technology and international markets to the Board, gained from her leadership of multinational engineering and manufacturing businesses.

In February 2019, Revathi assumed the role of Chief Executive Officer and became a member of the board of directors at Flex Ltd, a global manufacturing company.

Prior to this appointment Revathi was President and Chief Operating Officer for the Electrical Sector business at Eaton, a power management company. She joined Eaton in 1995 and led the Electrical Sector in the Americas and Asia-Pacific, with a three-year assignment in Shanghai. Between 2002 and 2008, Revathi worked at Honeywell, where she held leadership roles spanning manufacturing, procurement, supply chain and sourcing, including a role as general manager, Automation and Control Solutions.

Revathi returned to Eaton in 2008 as vice president and general manager of the Electrical Components Division.

Other non-executive appointments: None

Committee membership: Corporate Responsibility Committee and Nominations Committee

Sir Roger Carr – Chairman

Appointed to the Board: 2013

Nationality: British

Skills, competence and experience: Having joined the Board in 2013, Sir Roger was appointed Chairman in 2014. He is an experienced company chairman with a wealth of knowledge gained across a number of business sectors. With over two decades of boardroom experience, Sir Roger has a deep understanding of corporate governance and what is required to lead an effective board. Sir Roger is a Senior Adviser to KKR and Chairman of the English National Ballet. In 2018, he was appointed as co-chair of the Industrial Infrastructure and Manufacturing Council, an advisory council to the Prime Minister.

He has previously held a number of senior appointments including Chairman of Centrica plc, Vice Chairman of the BBC Trust, Deputy Chairman and Senior Independent Director of the Court of the Bank of England, President of the Confederation of British Industry (CBI), Chairman of Cadbury plc, Chairman of Chubb plc, Chairman of Mitchells & Butlers plc, Chairman of Thames Water plc and Chief Executive of Williams plc.

Throughout his career he has served on a number of external committees including the Prime Minister's Business Advisory Group, the Manufacturing Council of the CBI, the Higgs

Committee on Corporate Governance and Business for New Europe. He is a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce, a Companion of the Institute of Management, and an honorary Fellow of the Institute of Chartered Secretaries and Administrators. He is also a visiting fellow of Saïd Business School, University of Oxford, and holds an Honorary Doctorate in Business from Nottingham Trent University.

He was knighted for Services to Business in the Queen's New Year's Honours List 2011.

Other non-executive appointments: None

Committee membership: Chairman of the Nominations Committee

Elizabeth Corley CBE – Non-executive director

Appointed to the Board: 2016

Nationality: British

Skills, competence and experience: Elizabeth brings investor, governance and boardroom experience to the Board. She is currently a Senior Adviser at Allianz Global Investors. She served as Chief Executive Officer of Allianz Global Investors, initially for Europe then globally, from 2005 to 2016. Prior to that, she worked for Merrill Lynch Investment Managers. Elizabeth is active in representing the investment industry and developing standards within it. She is a member of the CFA Future of Finance Advisory Council and the AQR Institute of Asset Management at the London Business School. Elizabeth is currently Chair of the industry Taskforce for the UK Government on social impact investing. In 2017, she stepped down from the board of the UK Financial Reporting Council after completing her second three-year term of appointment.

Elizabeth is also an acclaimed writer, a Fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce and a trustee of the British Museum.

Other non-executive appointments: Non-executive director of Pearson plc and Morgan Stanley.

Committee membership: Nominations Committee and Remuneration Committee.

Jerry DeMuro – President and Chief Executive Officer of BAE Systems, Inc.

Appointed to the Board: 2014

Nationality: US

Skills, competence and experience: Appointed to the Board on 1 February 2014 as President and Chief Executive Officer of BAE Systems, Inc., Jerry is an experienced US executive who has worked in the national security, technology and aerospace industry for over 30 years. Prior to joining the Company, 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.

Jerry has been actively involved with several associations and non-profit organisations, including the Aerospace Industries Association, where he is currently a member of its executive committee, the Association of the United States Army, the MILCOM Conference Board, and AFCEA International where he served on the board of directors as an executive committee member and as chair of the audit committee.

Non-executive appointments: None

Harriet Green OBE – Non-executive director

Appointed to the Board: 2010

Nationality: British

Skills, competence and experience: Harriet is a transformative business leader with international operational and boardroom experience. She is currently Chief Executive Officer and Chairman of Asia-Pacific at IBM. Harriet has extensive global business leadership experience. She previously served as Chief Executive Officer and executive director of Thomas Cook plc. Prior to that, she was Chief Executive Officer and executive director of Premier Farnell plc. Previously she was also a non-executive director of Emerson Electric Co. In 2017, Harriet was named as one of the Fast Company's 100 Most Creative People in Business and in 2018 she was again placed by The Financial Times in the top ten of their 'HERoes ranking: Champions of Women in Business' list. In 2016, she won the Women in Technology Institute (WITI) Award and, in 2014, she received the Veuve Cliquot Business Woman Award. Harriet is a member of the Singapore Economic Development Board.

She will retire from the BAE Systems Board on 31 October 2019 at the end of her third three-year term of appointment.

Other non-executive appointments: None

Committee membership: Corporate Responsibility Committee and Nominations Committee

Chris Grigg – Non-executive director

Appointed to the Board: 2013

Nationality: British

Skills, competence and experience: As Chief Executive of a FTSE 100 company, Chris brings management and boardroom experience to the Board. He is currently Chief Executive of The British Land Company PLC, a position he has held since 2009.

Chris has more than 30 years' experience in the banking and real estate industries. Prior to joining British Land he was Chief Executive of Barclays Commercial Bank. Before that he was a partner at Goldman Sachs. Chris is currently a member of the executive board of the European Public Real Estate Association and the board of the British Property Federation.

Other non-executive appointments: None

Committee membership: Corporate Responsibility Committee and Nominations Committee

Peter Lynas – Group Finance Director

Appointed to the Board: 2011

Nationality: British

Skills, competence and experience: Peter, a qualified accountant, was appointed to the Board as Group Finance Director in 2011. His role has since been expanded to include responsibility for UK Shared Services, Procurement and Group Mergers and Acquisitions.

Peter 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.

Non-executive 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, competence and experience: An experienced company director in both the UK and North America, Paula is currently Chief Executive Officer and President of the business advisory group, PreferWest, LLC.

Starting her career as an economist, she spent over 20 years in the energy sector, culminating in her appointment as President and Chief Executive Officer of AGL Resources in 2002. She served as President and Chief Executive Officer of Safeco Corporation before becoming Vice Chairman and Chief Restructuring Officer of American International Group, overseeing its divestiture of assets and serving as chief liaison with the Federal Reserve Bank of New York. She received the National Association of Corporate Directors National Lifetime Achievement Award in 2014.

Past roles include non-executive directorships at Coca-Cola Enterprises, Inc., Anadarko Petroleum Corporation, Delta Air Lines, Inc., Air Products and Chemicals, Inc., and Siluria Technologies, Inc.

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

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

*Ms Rosput Reynolds will be stepping down from these boards shortly.

Nick Rose – Non-executive director and Senior Independent Director

Appointed to the Board: 2010

Nationality: British

Skills, competence and experience: Nick brings to the Board considerable financial expertise and boardroom experience. Nick was Chief Financial Officer of Diageo plc for over ten years until 2010. In this role, he was responsible for supply, procurement, strategy and IT on a global basis. His financial experience was developed during his time as group treasurer and group controller at Diageo, and also in his earlier career at Ford Finance. He is a former chairman of the engineering technology company Edwards Group Limited and former non-executive director of Moët Hennessy SNC and Scottish Power plc.

He is currently an adviser to CCMP Capital Advisors, LLC.

He will retire from the Board on 31 December 2019.

Other non-executive appointments: Chairman of Williams Grand Prix Holdings PLC, non-executive director and senior independent director of BT Group plc, and non-executive Chairman of Loch Lomond Group.

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, competence and experience: Ian brings considerable financial and long-term international contracting experience to the Board. Having qualified as a chartered accountant, Ian subsequently held a number of senior finance and operational positions within industrial companies before being appointed Finance Director of Balfour Beatty plc in 1996. He was subsequently appointed as Chief Executive in 2005. He is currently Chairman of Bovis Homes Group PLC and Cairn Energy plc.

Ian is a former non-executive director of Mediclinic International plc, Cable & Wireless Communications Plc and VT Group plc.

Other non-executive appointments: Chairman of Amey plc, a subsidiary of Ferrovial, S.A. and AWE Management Limited, a privately owned joint-venture.

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

Charles Woodburn – Chief Executive*Appointed to the Board: 2016**Nationality: British*

Skills, competence and experience: Charles joined BAE Systems in May 2016 as Chief Operating Officer and became Chief Executive on 1 July 2017. Prior to joining the Company, he spent over 20 years in the oil and gas industry, holding a number of senior management positions in the Far East, Australia, Europe and the US. He joined the Company from the oilfield services business, Expro Group, where he served as Chief Executive Officer. Prior to that he spent 15 years with Schlumberger Limited.

*Non-executive appointments: None.***1.3 Resolution 15 – Re-appointment of the Auditors**

Deloitte LLP were appointed by the shareholders as the Company's auditors at the 2018 AGM following the conclusion of a formal tender process led by the Company's Audit Committee in 2017. Deloitte LLP have now completed one full audit cycle and, following an evaluation and recommendation by the Audit Committee, the Board recommends they are re-appointed as the Company's auditors to hold office until the 2020 AGM.

1.4 Resolution 17 – 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 close of business on 30 June 2020, whichever is earlier, up to a maximum aggregate amount of £100,000.

1.5 Resolutions 18 and 19 – Authority to allot shares and disapplication of pre-emption rights**Resolution 18 – Authority to allot shares**

The purpose of Resolution 18 is to renew the Directors' power to allot shares as described below.

The authority 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 £26,638,740 which is equivalent to approximately 33 per cent of the total issued ordinary share capital of the Company, exclusive of treasury shares, as at 17 March 2019, the latest practicable date prior to publication of this Notice.

At 17 March 2019, the Company held 270,471,431 treasury shares which represents 8.46 per cent of the total number of ordinary shares in issue, excluding treasury shares, at that date.

There are no present plans to allot new shares (other than in connection with employee share and incentive plans), however the Directors consider it desirable to have the flexibility permitted by corporate governance guidelines to respond to market developments and to enable allotments to take place to support the Company as may be required.

If the resolution is passed the authority will expire on the earlier of the end of the Annual General Meeting in 2020 and the close of business on 30 June 2020.

Resolution 19 – 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 Resolution 19 is to authorise the Directors to allot new ordinary shares and other equity securities pursuant to the authority given by Resolution 18, or sell treasury shares, for cash (a) in connection with a pre-emptive offer and (b) otherwise up to a nominal value of £3,996,210, equivalent to approximately five per cent of the total issued ordinary share capital of the Company exclusive of treasury shares, and 4.61 per cent of the total issued ordinary share capital of the Company inclusive of treasury shares, as at 17 March 2019, without the shares first being offered to existing shareholders in proportion to their existing holdings. The Pre-Emption Group's Statement of Principles, as updated in March 2015, supports the annual disapplication of pre-emption rights in respect of allotments of shares and other equity securities and sales of treasury shares for cash representing no more than five per cent. of issued ordinary share capital (exclusive of treasury shares), without restriction as to the use of proceeds of those allotments.

The Board intends to adhere to the provisions in the Pre-Emption Group's Statement of Principles and not to allot shares or other equity securities or sell treasury shares for cash on a non pre-emptive basis pursuant to the authority in Resolution 19 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, other than:

- (i) with prior consultation with major shareholders; or
- (ii) 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.

The Board considers the authority in Resolution 19 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.

If the resolution is passed, the authority will expire on the earlier of the conclusion of the Company's Annual General Meeting in 2020 and the close of business on 30 June 2020.

1.6 Resolution 20 – 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 319,696,861 ordinary shares, this being approximately 10 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 17 March 2019, the latest practicable date prior to the publication of this Notice. As at 17 March 2019 there were 60,221,777 options to subscribe for ordinary shares outstanding, representing 1.88 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 2.09 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 2020 and 30 June 2020.

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 not purchased any shares under the current share-buyback authority granted by shareholders at the 2018 Annual General Meeting.

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 2018, 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 and when the return from doing so is in excess of the Group's Weighted Average Cost of Capital.

It is the Directors' current intention that any shares bought back under this authority be cancelled.

1.7 Resolution 21 – Amendments to the Articles of Association

It is proposed in Resolution 21 to amend the articles of association (the "**Amended Articles**") in order to update the Company's existing articles of association (the "**Existing Articles**"). The Amended Articles will become effective on the Resolution being passed.

The principal changes made in the Amended Articles are summarised on pages 12-14. Other changes, which are of a minor, technical or clarifying nature, have not been noted. The Amended Articles showing all the changes to the Existing Articles are available for inspection, as detailed on page 11 of this document.

1.8 Resolution 22 - Notice of general meetings

Changes made to the current Companies Act by the Shareholders' Rights Regulations increased 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.

Prior to this, 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 22 seeks approval of the renewal of this authority which will be effective until the Company's next Annual General Meeting in 2020, 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, 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.

A copy of the Amended Articles of the Company, showing all the changes to the Existing Articles as proposed in Resolution 21, will be available for inspection at the offices of Linklaters LLP at One Silk Street, London EC2Y 8HQ from the date of the Notice of Meeting to the close of the meeting and will also be available at the place of that meeting from 15 minutes prior to its commencement to 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.

The taking of photographs or the use of mobile devices to record or stream images of the meeting is prohibited. Anyone without the Company's consent found to be acting contrary to this requirement may be asked to leave the meeting.

Appendix: Summary of principal changes to the articles of association

1 Article 12 – Fractional entitlements

If, following a consolidation or sub-division, a member is entitled to a fraction of a share the Directors have power to sell those fractions and distribute the proceeds to the entitled members. A provision is included in the Amended Articles clarifying that if the entitlement is less than a nominal amount to be decided by the Directors, the Directors may give that amount to charity or otherwise retain it for the Company's benefit rather than giving it to the entitled member. This ensures that the Directors are not obliged to distribute nominal sums to members where the cost of doing so might be greater than the amount to be distributed.

2 Article 35 – Right to refuse registration of share transfer

The Amended Articles include changes to deal with uncertificated (i.e. dematerialised) shares. In particular, they remove the obligation for the Company to give a reason for refusing to register a transfer of uncertificated shares. This is in line with the Uncertificated Securities Regulations 2001 as amended by The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, which removed the statutory requirement to provide a reason should a company refuse to register a transfer of dematerialised shares post-1 October 2009.

The Amended Articles have also been amended to bring them in line with Listing Rule 2.2.5, which provides that listed partly-paid shares must be transferable free of restrictions and that investors must be provided with sufficient information to allow dealing on an open and proper basis.

3 Article 38 – General provisions on dematerialised shares

The EU Central Securities Depositories Regulation (the "CSDR") requires all shares traded on regulated markets to be dematerialised. This requirement will apply to all shares in the Company issued after 1 January 2023. The Amended Articles provide, in express terms, that any share or class of shares may be issued or held (and title transferred to them) in uncertificated form in compliance with the relevant rules applicable to the Company. This provides a starting point for compliance with the CSDR.

The Amended Articles also clarify the Directors' powers to deal with, issue or take any other necessary or expedient action in relation to the dematerialised (or uncertificated) shares. In addition, the Amended Articles also provide that a class of shares must not be treated as two separate classes of shares simply because some shares of that class are held in certificated form and others in uncertificated form.

A number of consequential changes have been included throughout the Amended Articles to reflect the introduction of Article 38.

4 Article 39 – Untraced Shareholders

The Amended Articles update the provisions of the Existing Articles relating to shareholders who are considered untraced after a period of twelve years. The Amended Articles provide the Company greater flexibility when trying to trace shareholders. They replace the requirement to place notices in newspapers with a requirement for the Company to take reasonable steps to trace the shareholder and let them know that it intends to sell their shares. This can include engaging a professional asset reunification company to search for shareholders who have not kept their details up-to-date on the share register. Shareholders whose shares are sold following this tracing process will not be able to claim the proceeds of the sale and the Company can use these funds as the Directors think fit. Should the Company decide to operate this procedure, it is the Company's intention to use any funds raised in this way for such good causes as the Board may decide.

5 Article 40 – United Kingdom control

It is a cardinal principle that the Company should be and remain under United Kingdom control. The purpose of Article 40 is to support this principle by imposing limits on the holding of shares by foreign persons. The Existing Articles provide that the notification regime of Part VI of the Companies Act 1985 shall apply to the Company as if it extended to share interests of foreign persons and be used for the purposes of determining whether a foreign person is deemed to have an "interest" in the shares of the Company. These notification provisions from the Companies Act 1985 have been superseded by the regime in Chapter 5 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority ("DTR 5"). The references to Part VI have therefore been replaced by references to the applicable provisions of DTR 5 in the Amended Articles, being Rules 5.1 to 5.8 (but excluding Rules 5.5, 5.6 and 5.8.12).

6 Article 46 – Notices of General Meetings

The Existing Articles repeat certain provisions in the Companies Act 2006 in relation to notices of General Meetings, in particular provisions relating to the timings around the giving of notices of the Annual General Meeting and all other General Meetings. These provisions, which replicate the minimum period for notice under statute, have been removed in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

The Amended Articles provide that the Company may determine that only those members on the share register on a particular day will be entitled to receive notices of a General Meeting. This is in line with the Uncertificated Securities Regulations 2001.

7 Article 71 – Corporate representatives

Under Article 71, any corporation which is a member of the Company may by a resolution of its directors or other governing body authorise a person (or persons) to act as its representative at a shareholders' meeting. The Amended Articles allow the

Company to require any corporate representative to produce a certified copy of the resolution appointment before permitting them to exercise their powers.

8 Article 82 – Appointment and retirement of directors

The Existing Articles require Directors to retire from the board on the third anniversary of appointment. Instead, in order to reflect what happens in practice, and consistent with the UK Corporate Governance Code, the Amended Articles provide that all Directors retire annually and be re-elected at the Annual General Meeting.

9 Article 104 – Borrowing powers

A number of technical amendments have been made to clarify how the constituent elements of the borrowing threshold are to be calculated. In particular, this Article has been updated to align with current accounting standards which are applied by the Company and terms used in the Company's annual accounts.

The Directors' borrowing power threshold remains at one and a half times the Company's adjusted share capital and reserves.

10 Article 106 – Bank mandates

This new provision empowers Directors to authorise signatories to manage any bank account held by the Company. The inclusion of this provision is administratively helpful as it serves as evidence of the Directors' authority to appoint signatories to deal with the Company's bank accounts, as banks often require sight of such provisions in a company's articles of association when setting up bank mandates.

11 Existing Article 119 removed – No dividend except out of profits

The requirements set out in this provision of the Existing Articles are set out in the Companies Act 2006 and have therefore been removed.

12 Article 123 to 125 – Payment of dividends and unclaimed dividends

The Amended Articles set out the entitlements and treatment of the different classes of individuals in relation to the receipt of dividend payments, particularly in relation to joint holders of shares and members who are no longer entitled to a share.

Relevant amendments have also been made to address the mechanics for dividend payments in relation to uncertificated shares.

Following the guidance published by the ICSA Registrars' Group in 2014, the dividend payment provisions have been amended to allow the use of different distribution channels. Technological developments mean that the market practice surrounding

dividend payment methods may change in the future, including that electronic dividend payments will become more prevalent amongst public listed companies. Although it is not the Board's intention to change the current methods of payment at this time, the Amended Articles provide that, if considered appropriate, the Directors are empowered to use electronic means to pay dividends. This will provide the requisite flexibility for the Company to adopt electronic dividend payments.

To reflect this increased flexibility, the Amended Articles also introduce provisions under which the Company may deem a dividend as unclaimed if a member does not supply the required electronic payment information or the dividend cannot be paid by the details provided.

13 Article 129 – Scrip Dividends

Under the Existing Articles, the Company has the ability to operate a scrip dividend scheme under which it may, following shareholder approval, offer the holders of ordinary shares the right to receive dividends in the form of further ordinary shares rather than cash.

The Investment Association's Share Capital Management Guidelines published in 2014 recommend that any authority conferred by the Ordinary Resolution to offer a scrip dividend should be renewed at least every three years as opposed to the five year period included in the Existing Articles. The Amended Articles incorporate this recommendation.

The Amended Articles also contain provisions dealing with shares held in uncertificated form on the record date for the relevant dividend, where the holder elects to receive an allotment of new shares in lieu of dividends. In this instance, the shares allotted will be issued in uncertificated form.

14 Existing Articles 131 and 132 removed – Copies of accounts for Members

The Existing Articles contain provisions requiring the Company to circulate annual accounts and reports to members. These provisions duplicate the requirements under the Companies Act 2006 and, accordingly, have been removed.

15 Existing Article 133 removed – Validity of Auditor's acts

The articles of association are a contract between members of the Company. As such, it is not the appropriate document to set out the rights of third parties, including auditors, who have no right to enforce a company's articles of association. Therefore, this provision has been removed.

16 Existing Article 134 removed – Auditor’s right to attend General Meetings

Auditors’ rights to receive notices of, and to attend and speak at General Meetings are enshrined in the Companies Act 2006. Accordingly, this provision has been removed in the Amended Articles to avoid duplicating the statutory provision.

17 Article 134 – Failure to supply address

The Amended Articles provide that the Company has a right to stop sending notices to members where documents sent to addresses provided from such members have been returned undelivered more than once within a 12-month period. The objective of this amendment is to encourage the use of electronic addresses or the provision of updated postal addresses in order to receive timely notices.

18 Article 135 – Suspension of postal services

The Amended Articles provide that, in the event of suspension or curtailment of postal services in the United Kingdom preventing the Company from giving notice of a shareholders’ meeting by post in hard copy form, the Company will have been deemed to give notice to the relevant members if it makes the notice available on its website and sends a confirmatory hard copy notice if the postal service is available again at least seven days prior to the meeting.

19 Article 139 – Destruction of documents

The Amended Articles clarify when the Company shall be entitled to destroy various categories of documents.

20 Article 142 – Director’s Liabilities

The Amended Articles reflect more clearly the liability protection provisions which may be made available to Directors and the Company Secretary under the Companies Act 2006, and in particular the provision of funds to meet defence expenditure in certain circumstances permitted by the Companies Act 2006.

General

As the Directors are proposing to adopt the Amended Articles to make the changes described above, the opportunity has been taken generally to clarify minor inconsistencies in certain other parts of the Amended Articles, update existing provisions to reflect current statutory and regulatory rules, remove redundant provisions, and make them clearer, easier to read and more modern.

Getting to Hall 1

By Road

Hall 1 at Farnborough Exhibition & Conference Centre 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 signs for Farnborough A3011. At the Queen's Roundabout (junction of A3011/A325) take Government House Road (signposted for both the Aerospace Centre and Exhibition Centre) and turn right at the traffic lights. Then follow the signs to Gate A through which Hall 1 is accessed.

SatNav users should enter 'Gate A – Transport Road, GU14 6XE' and follow the signs to Hall 1 via Gate A.

Free parking is available at Hall 1 in the designated car park.

By Rail

The main railway station in Farnborough is Farnborough Main. Other railway stations in the vicinity of Hall 1 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 railway station and Hall 1. A return service to Farnborough Main will be provided after the meeting.

