

## Remuneration policy

The following sections set out our proposed new Directors' Remuneration policy, which is subject to shareholder approval at the AGM on 7 May 2025, and which, if approved, will take effect from the conclusion of the AGM.

Below is a summary of the key changes between the current Remuneration policy and the proposed new Remuneration policy, which are designed to simplify and strengthen our policy by removing unnecessary restrictions that might prevent us from hiring and rewarding the best talent, while enhancing the competitiveness of our long-term incentives to retain key employees and align their pay with the markets in which we actively compete for talent. We are not proposing any new incentive plans. We are aiming to deliver an overall remuneration package that provides an appropriate balance between short-term and long-term reward, and between fixed and variable reward.

Remuneration type	Proposed changes	Rationale
<b>Base pay</b>	<ul style="list-style-type: none"> <li>Remove the current restriction that "no role will have a salary greater than the Chief Executive".</li> <li>Remove the current salary increase limit of "10% in any single year" and replace with the requirement that "ordinarily any increases will not exceed the average percentage increase for the wider workforce in the same locality".</li> </ul>	<ul style="list-style-type: none"> <li>The current policy restrictions may prevent us from hiring niche skills in the future, or from acquiring a new international business where base pay levels are already higher than our own.</li> <li>Incorporate a more practical limit for managing executive director pay increases relative to the wider workforce.</li> </ul>
<b>Annual incentive plan (AIP)</b>	<ul style="list-style-type: none"> <li>No changes to executive directors' maximum bonus opportunity.</li> <li>Change the bonus level at threshold performance to 25% of maximum (currently 20% of maximum).</li> <li>Replace the safety and diversity underpin with a 'bonus moderator' that can reduce the whole of the calculated bonus if there are any factors that warrant a reduction.</li> </ul>	<ul style="list-style-type: none"> <li>Alignment with a more normal payout curve of 25%–50%–100% for threshold–target–stretch achievement simplifies the bonus calculation and aligns with the payout curve for other incentive programmes including the LTI plan.</li> <li>The underpin currently only applies to the outturn of non-financial objectives (representing 25% of bonus opportunity), but the 'bonus moderator' can reduce (but not increase) the whole of the calculated bonus for a broad range of factors including workplace culture and important safety metrics.</li> </ul>
<b>Long-term incentives (LTI)</b>	<ul style="list-style-type: none"> <li>Increase maximum Performance Shares grant for the UK executive directors: <ul style="list-style-type: none"> <li>Chief Executive from 370% to 500% of base pay.</li> <li>Chief Financial Officer from 335% to 400% of base pay.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Incentivise executives to stay for the long term and deliver long-term growth.</li> <li>Long-term incentive opportunity has fallen below the UK market levels needed to compete for talent.</li> <li>No increase in LTI opportunity is proposed for the US executive director.</li> </ul>
<b>Minimum Shareholding Requirement (MSR)</b>	<ul style="list-style-type: none"> <li>Increase MSR for the UK executive directors to a level corresponding to the new maximum Performance Shares opportunities: <ul style="list-style-type: none"> <li>Chief Executive from 300% to 500% of base pay.</li> <li>Chief Financial Officer from 200% to 400% of base pay.</li> </ul> </li> <li>Increased MSR for the UK executive directors applies to both their in-employment and post-employment shareholding requirements.</li> <li>Executives will not be able to sell, except for tax, any vested shares until their MSR is met in full (replacing the previously complex two-step arrangement that enabled up to 75% of shares to be sold before the MSR was achieved).</li> </ul>	<ul style="list-style-type: none"> <li>MSR requires executives to have long-term commitment and investment in the Company.</li> <li>Simplification of MSR operation requires executives to build their MSR as quickly as possible.</li> </ul>

In addition, it is proposed that the current policy of an annual aggregate cost of fees and benefits paid to non-executive directors (currently £3.0m in total and £1.25m for the Chair) is replaced with a more practical and meaningful approach to setting fees that takes into account responsibility of each role, time commitment, practice in other comparable companies, and the average increase for the wider workforce. Fee levels are disclosed on page 119.

## Remuneration policy continued

Base pay	Pension	Benefits	Annual incentive plan (AIP)
<p><b>Purpose and link to strategy</b></p> <p>Provides a fixed level of earnings, appropriate to the market and requirements of the role.</p>	<p><b>Purpose and link to strategy</b></p> <p>Provides a basis for an income in retirement.</p>	<p><b>Purpose and link to strategy</b></p> <p>Provides benefits and allowances appropriate to the market to assist employees in their duties and to ensure their safety and security.</p>	<p><b>Purpose and link to strategy</b></p> <p>Incentivises and rewards the achievement of annual financial performance and the delivery of key strategic objectives.</p>
<p><b>Operation</b></p> <p>Reviewed annually, usually with effect from 1 January, taking into account:</p> <ul style="list-style-type: none"> <li>– the scope of the role;</li> <li>– the individual's skills, experience and performance;</li> <li>– competitive market data;</li> <li>– pay and conditions elsewhere in the Group; and</li> <li>– overall business performance.</li> </ul> <p>There is no obligation to increase base pay upon any such review and any decision to increase base pay will take into account the associated impact on overall quantum.</p>	<p><b>Operation</b></p> <p>UK-based executive directors may:</p> <ul style="list-style-type: none"> <li>– participate in the defined contribution pension plan;</li> <li>– receive a cash allowance in lieu; or</li> <li>– some combination thereof.</li> </ul> <p>US based executive directors may participate in:</p> <ul style="list-style-type: none"> <li>– the US defined benefit pension plans; and</li> <li>– US Section 401(k) defined contribution plan.</li> </ul> <p>Base pay is the only element of pensionable remuneration.</p>	<p><b>Operation</b></p> <p>In line with other employees, benefits may include:</p> <ul style="list-style-type: none"> <li>– health allowance, including medical and dental benefits;</li> <li>– life insurance;</li> <li>– ill-health and disability insurance;</li> <li>– financial and tax support; and</li> <li>– all-employee Share Incentive Plan participation.</li> </ul> <p>In line with other senior executives, executive directors may receive a non-pensionable cash allowance in lieu of a company car.</p> <p>From time to time, the executive directors may use a chauffeur-driven car and a company aircraft.</p>	<p><b>Operation</b></p> <p>In normal circumstances:</p> <ul style="list-style-type: none"> <li>– performance is assessed over a one-year period;</li> <li>– performance measures and weightings are set each year, to be relevant and aligned with the Group's strategic priorities;</li> <li>– performance targets are set to be appropriately stretching, taking into account forecasts in the business plan, budgets, prior year performance and market expectations;</li> <li>– bonus awards are determined after the end of the performance period, taking into consideration performance against targets and individual performance;</li> <li>– two-thirds of any bonus award is paid in cash, with one-third of the total net bonus deferred into shares for three years, with dividends or dividend equivalents paid during the deferral period; and</li> <li>– malus and clawback applies to cash awards and deferred shares.</li> </ul>
<p><b>Opportunity</b></p> <p>There is no maximum base pay, but ordinarily any increases will not exceed the average percentage increase for the wider workforce in the same locality. In specific circumstances, the Committee may award increases above this level, for example where:</p> <ul style="list-style-type: none"> <li>– base pay for a recently appointed executive director has been set with a view to allowing progression in the role over time; or</li> <li>– there has been a significant increase in the size or scope of an executive director's role or responsibilities.</li> </ul>	<p><b>Opportunity</b></p> <p>The maximum employer contribution for the:</p> <ul style="list-style-type: none"> <li>– Chief Executive is aligned with the weighted average available to the UK workforce (currently 14%);</li> <li>– Chief Financial Officer and any other new UK-based executive director is the level available to the majority of UK defined contribution plan members (currently 9%);</li> <li>– President and Chief Executive Officer of BAE Systems, Inc. maximum annual accrual for the US defined benefit pension plans is \$1,500 and the maximum 401(k) contribution is 6% of base pay, capped at applicable US regulatory limits.</li> </ul>	<p><b>Opportunity</b></p> <p>The maximum value is the actual cost of providing the benefits which, for insured benefits, may vary from year to year.</p> <p>The maximum opportunity for the all-employee Share Incentive Plan is the same for all participants, capped at applicable UK HMRC limits.</p>	<p><b>Opportunity</b></p> <p>The maximum opportunity for the:</p> <ul style="list-style-type: none"> <li>– Chief Executive is 225% of base pay;</li> <li>– Chief Financial Officer and any other UK-based executive director is 200% of base pay;</li> <li>– President and Chief Executive Officer of BAE Systems, Inc. is 225% of base pay.</li> </ul> <p>The performance payout range is:</p> <ul style="list-style-type: none"> <li>– nil bonus for performance below threshold;</li> <li>– 25% of maximum at threshold;</li> <li>– 50% of maximum at target; and</li> <li>– 100% of maximum at stretch; with</li> </ul> <p>– payout on a straight-line basis for performance between these points.</p> <p>The Committee will consider the calculated outcome in the context of a range of factors (not just the specific performance measures) including overall business performance, safety and workforce culture, and may apply a 'bonus moderator' to reduce (but not increase) the bonus if there are any factors that warrant a reduction.</p>
<p><b>Performance</b></p> <p>Personal performance will be taken into consideration in determining any base pay increase.</p>	<p><b>Performance</b></p> <p>No performance conditions.</p>	<p><b>Performance</b></p> <p>No performance conditions.</p>	<p><b>Performance</b></p> <p>A combination of:</p> <ul style="list-style-type: none"> <li>– financial performance (with at least 75% weighting); and</li> <li>– key strategic objectives.</li> </ul>

**Long-term incentives (LTI)****Purpose and link to strategy**

Provides a direct and transparent link between executive pay and the delivery of long-term performance.

**Operation**

Performance Shares:

- a performance period of three years, plus a further two-year deferral period;
- for UK-based executive directors, shares vest five years after grant; for the US executive director, shares vest in three equal tranches on the third, fourth and fifth anniversaries of grant;
- performance measures and weightings are set each year, to be relevant and aligned with the delivery of shareholder returns over the long term;
- performance targets are set to be appropriately stretching, taking into account forecasts in the strategic plan, prior performance and market expectations;
- dividends or dividend equivalents accrue during the performance and deferral periods based on the number of shares that have vested, but excluding any shares that have lapsed; and
- malus and clawback applies.

Restricted Shares:

- for US executive director only, subject to remaining employed for three years from the grant date, plus a further two-year clawback period; and
- notional reinvested dividends accrue during the vesting period.

**Opportunity**

The maximum Performance Shares annual grant for the:

- Chief Executive is 500% of base pay;
- Chief Financial Officer and any other UK-based executive director is 400% of base pay;
- President and Chief Executive Officer of BAE Systems, Inc. is 440% of base pay.

The performance payout range for Performance Shares is:

- nil vesting for performance below threshold;
- 25% of maximum at threshold;
- 50% of maximum at target; and
- 100% of maximum at stretch; with
- vesting on a straight-line basis for performance between these points.

The Committee will assess the formulaic vesting calculation, and may amend the vesting outcome in the context of a range of factors including overall business and share price performance.

The President and Chief Executive Officer of BAE Systems, Inc. additionally receives an annual grant of Restricted Shares equivalent to 150% of base pay. There are no performance conditions for Restricted Shares, other than continued employment for at least three years from the grant date with a further two-year clawback period.

**Performance**

For the Performance Shares, an appropriate mix of financial and other measures based on the key performance indicators that drive our financial ambitions, linked to long-term strategic priorities with the majority determined by financial metrics.

**Minimum shareholding requirement (MSR)****Purpose and link to strategy**

Ensures long-term commitment and investment in the Company, aligning executive pay with shareholder returns.

**Operation**

Executive directors may not sell, except for tax, any vested shares until their MSR is met in full.

Executive directors must maintain their MSR (or their actual shareholding at the date of leaving, if lower) for at least two years after leaving employment with the Group (one year for the US executive director).

The sale of shares prior to the MSR being met may be permitted in extenuating situations, for example, a change to personal circumstances, ill health, etc.

**Opportunity**

The Minimum Shareholding Requirement (comprising shares owned outright) for the:

- Chief Executive is 500% of base pay;
- Chief Financial Officer and any other UK-based executive director is 400% of base pay;
- President and Chief Executive Officer of BAE Systems, Inc. is 425% of base pay.

Post-employment shareholding requirements for the:

- Chief Executive is 500% of base pay for two years;
- Chief Financial Officer and any other UK-based executive director is 400% of base pay for two years;
- President and Chief Executive Officer of BAE Systems, Inc. is 300% of base pay for one year.

**Performance**

Not applicable.

**Non-executive director (NED) fees****Purpose and link to strategy**

Provides an appropriate reward to attract and retain high-calibre NEDs with the relevant skills, knowledge and experience.

**Operation**

NED fees are determined by the Chair and executive directors.

NEDs receive a base fee, with an additional fee for:

- the Senior Independent Director (SID);
- Committee Chair (except Nominations Committee); and
- Committee membership (except Nominations Committee).

The Chair's fee is determined by the Committee.

NED and Chair fees are reviewed periodically, taking into account:

- responsibility of each role;
- time commitment;
- practice in other comparable companies; and
- the average increase for the wider workforce.

**Opportunity**

There is no cap on the amount of NED fees payable, but fees are reviewed periodically taking account of the factors listed above and may be increased at appropriate intervals.

NEDs are not eligible to participate in any Company pension arrangements or any performance-related incentives.

The Chair may be provided with a chauffeur-driven car. This may be used for non-Company business, providing that the cost of the benefit is paid for by the Chair.

Travel and subsistence expenses (including any associated tax cost) incurred on Company business by a director or their accompanying partner may be reimbursed.

Directors' and Officers' insurance cover is provided.

**Performance**

No performance conditions.

## Remuneration policy continued

### Remuneration policy notes

Area	Commentary
Decision-making process	<ul style="list-style-type: none"> <li>– The Remuneration Committee (the Committee) is governed by Terms of Reference setting out its purpose, constitution and duties. These are reviewed regularly to ensure they remain appropriate including updated corporate governance and other guidance.</li> <li>– In determining the new Remuneration policy, the Committee undertook an extensive review to ensure that it remains fit for purpose in an increasingly challenging environment.</li> <li>– The Committee appoints external advisers to provide independent advice.</li> <li>– In addition, to avoid any conflicts of interest or appearance thereof, no director is involved in determining their own remuneration and is not present in such discussions.</li> </ul>
Prior commitments	<ul style="list-style-type: none"> <li>– The Company will honour any commitments made in respect of executive and non-executive director remuneration and benefits before the date on which either:               <ul style="list-style-type: none"> <li>(i) the Directors' Remuneration policy becomes effective; or</li> <li>(ii) an individual becomes a director, if in the opinion of the Committee, the commitment or payment was not in contemplation of the individual becoming a director.</li> </ul> </li> </ul>
Long-term incentives	<ul style="list-style-type: none"> <li>– Long-term incentives (LTI) operate in accordance with the rules of the BAE Systems Long-Term Incentive Plan.</li> <li>– On a change of control or similar transaction, generally awards will vest to the extent performance conditions are then satisfied (if applicable) and pro-rated to reflect the accelerated vesting timescale, unless the Committee decides otherwise. Alternatively, awards may be exchanged for equivalent awards over shares in the acquiring company.</li> <li>– The Committee has discretion to vary the weighting of Performance Shares and Restricted Shares for a US executive director, but the overall expected value (EV) will remain the same (assuming EV is 50% of face value for Performance Shares and 100% of face value for Restricted Shares) and with Restricted Shares comprising no more than 150% of base pay.</li> <li>– Restricted Shares are not subject to a performance condition as they are designed to address competitive market practice and retention issues principally in the US.</li> </ul>
Minor amendments	<ul style="list-style-type: none"> <li>– Awards and performance conditions may be adjusted to take account of variations of share capital and other transactions or events.</li> <li>– The Committee may amend share plan rules in certain circumstances to include minor changes for administrative, tax or other regulatory purposes.</li> <li>– Performance conditions of awards already granted may be amended.</li> </ul>
Performance measures and targets	<ul style="list-style-type: none"> <li>– Performance conditions will be selected which align to the Group's key performance indicators and other objectives designed to achieve the Group's strategy. Non-financial performance conditions may be determined by the Committee in consultation with other committees including the Environmental, Social and Governance Committee.</li> <li>– The Committee determines performance conditions annually, taking account of the Group's strategic priorities, the internal business plan and budgets, external market expectations and general economic conditions.</li> <li>– Performance targets that are considered commercially sensitive and detrimental to the interests of the Company to disclose prospectively, will be disclosed retrospectively after the end of the relevant financial period.</li> </ul>
Discretion	<ul style="list-style-type: none"> <li>– For the AIP and LTI, the Committee has discretion to adjust any formulaic outcomes if it determines that it is not reflective of underlying performance for that metric or for the business as a whole. This discretion may apply upwards or downwards, and any discretion will be applied in a disciplined manner with the rationale and impact reported transparently.</li> </ul>
Malus and clawback	<ul style="list-style-type: none"> <li>– Malus and/or clawback may be applied to any bonus, to deferred bonus until the end of the three-year deferral period, and to LTIs until two years after vesting (or if sooner, the fifth anniversary of grant), or the occurrence of certain corporate events where:               <ul style="list-style-type: none"> <li>– the Company is entitled to terminate employment for cause or the participant has engaged in misconduct (including breach of policy) which gives rise to other disciplinary sanction;</li> <li>– the results of the Company and/or relevant business or businesses for any period have been restated or subsequently appear materially inaccurate or misleading;</li> <li>– any Group company or business unit has made a material financial loss; and/or</li> <li>– the measurement of any performance condition does not reflect the performance of the Company over the performance period.</li> </ul> </li> </ul>

Service contracts and letters of appointment	<ul style="list-style-type: none"> <li>– All executive directors have rolling service agreements which may be terminated in accordance with those terms.</li> <li>– Notice periods for executive directors will not exceed 12 months, except when recruiting a new executive director operating in the US this may be extended to a maximum of 24 months, reducing to no more than 12 months by the end of their first year.</li> <li>– No executive director has provisions in their service contract that relate to a change of control of the Company.</li> <li>– The Chair's appointment is documented in a letter of appointment.</li> <li>– The Chair's appointment is normally for an initial three-year period unless terminated earlier in accordance with the Company's Articles of Association or by the Company or the Chair giving not less than six months' notice. The Chair's appointment may then be reviewed by the Nominations Committee and they may be invited to serve for an additional period.</li> <li>– Non-executive directors are normally appointed for an initial three-year period and, subject to review, may be extended. Non-executive directors do not have notice periods or service contracts and their letters of appointment detail the basis of their appointment.</li> <li>– All directors are subject to annual election or re-election at the Company's AGM.</li> </ul>
Remuneration policy for other employees	<ul style="list-style-type: none"> <li>– Policies and practices applying to other employees are broadly the same as those applying to executive directors, although quantum and participation by location and grade may vary.</li> <li>– A consistent approach to annual base pay reviews is applied across the Group, considering the role, level of experience, performance and relevant market data.</li> <li>– Employees may participate in an annual bonus plan dependent on financial, business and/or individual performance. Other employees may participate in performance-based incentives with metrics relevant for that business.</li> <li>– LTI awards may be granted to senior executives below executive director level, plus selected high-performing and high-potential employees.</li> </ul>
Consideration of employment conditions elsewhere in the Company	<ul style="list-style-type: none"> <li>– The Committee is responsible for reviewing Group workforce remuneration and related policies and takes these into account when setting the policy and pay for executive directors. To support this, the Committee is provided with details of remuneration practices in the different sectors, geographies and populations across the Company's wider workforce. When reviewing base pay increases for executive directors, the Committee considers average base pay increases for the wider workforce in the same locality and external market.</li> <li>– The Committee does not consult directly with employees on executive pay, but the Annual Report is the principal means through which we communicate and engage with employees on how executive directors' remuneration aligns with that of the wider workforce. Many of the Company's employees are shareholders and they receive a direct link to the annual report and an invitation to vote on the resolutions being put to the AGM, including those relating to executive director remuneration. The results of the employee shareholder voting are subsequently reported to the Board for discussion.</li> </ul>
Stakeholder considerations	<ul style="list-style-type: none"> <li>– The Committee seeks to maintain an active dialogue with investors regarding remuneration and corporate governance more generally. During 2024 and 2025 the Committee sought feedback from its 65 largest shareholders (representing nearly 70% of shares held) and representative bodies regarding the Directors' Remuneration policy, so that shareholders could enter into further consultations with the Committee Chair and express their views in advance of the Committee making any final proposals. The responses helped inform and shape the Committee's thinking in formulating the Remuneration policy proposals. The Committee is grateful to shareholders for their feedback and continues to appreciate all feedback.</li> </ul>

## Approach to recruitment

The Committee aims to pay no more than it considers necessary to attract appropriate candidates and it is not anticipated that remuneration will need to be different from the structure or exceed the limits set out in the Remuneration policy table.

Item	Policy
'Buy-out' of forfeited incentives	<p>The Committee may make awards upon hiring an external candidate to 'buy out' existing incentives or other elements of remuneration that is forfeited upon leaving their previous employer. The Committee will take account of relevant factors including:</p> <ul style="list-style-type: none"> <li>– any performance conditions attached to those awards;</li> <li>– the form in which the awards were granted; and</li> <li>– the time period over which they would have vested.</li> </ul> <p>Buy-out awards will be no higher than the expected value of the forfeited awards, with details disclosed in the following year's remuneration report, and are excluded from the maximum incentive opportunities set out in the remuneration policy table.</p> <p>To facilitate any buy-out awards, the Committee may rely on the exemption in the Listing Rules, which allows for the grant of awards to facilitate, in unusual circumstances, the recruitment of an executive director, without seeking prior shareholder approval or under any other appropriate Company incentive plan.</p>
Relocation	<p>Where a new executive director has to relocate to take up the appointment, practical and financial support may be provided in relation to their relocation.</p>

## Remuneration policy continued

### Policy on payment for loss of office

An executive director's payments for loss of office will be determined by the policy that was in place at the date when the payments for loss of office were agreed.

Any termination payment will be subject to approval by the Committee, having regard to the terms of the service contract or other legal obligations and the specific circumstances regarding the termination, including the circumstances of leaving, performance, service and health or other relevant factors.

For executive directors, employment contracts will generally allow termination with up to 12 months' notice from either party or by way of payment of base pay in lieu of notice, at the Company's discretion. Neither notice nor a payment in lieu of notice will be given in the event of termination for gross misconduct. For US-based executive directors, employment contracts are typically for one-year periods and renew automatically unless one party gives at least 60 days' notice of non-renewal.

In all cases, the Committee seeks to include provisions in executive directors' employment contracts that allow the Company to pay any notice or severance payments on a phased basis and apply mitigation if the executive director secures alternative employment, if this is reasonably practicable taking into account local labour law, tax and other relevant considerations.

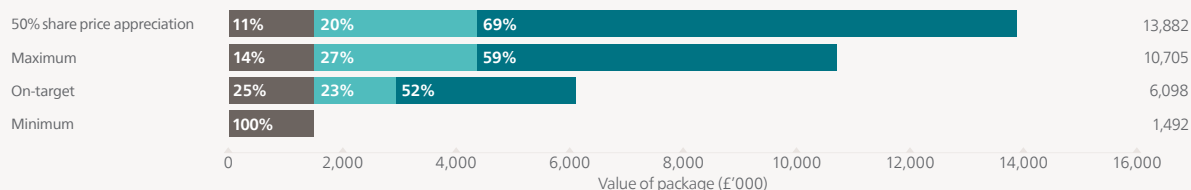
Item	Policy
Base pay, pension and benefits	<p>Payment made up to the termination date in accordance with contractual notice periods.</p> <p>Pension benefits paid as governed by the rules of the relevant pension plan.</p> <p>US executive director: If employment is terminated by the Company (other than for cause as defined in the contract) or the executive director resigns for a 'good reason' (as defined in the contract), the executive director will be entitled to a termination payment equal to one year's base pay. They will also be entitled to a continuation of medical benefits for 18 months (or a cash payment in lieu).</p>
Annual bonus	<p>UK executive directors: Where employment is terminated after the end of a performance year but before any bonus payment is made, the executive director will remain eligible for a bonus in respect of that performance year based on performance achieved in the period. No award will be made in the event of termination for gross misconduct. Where an executive director leaves during the relevant performance year by reason of death, ill-health, injury, disability, retirement, sale or transfer of a business, redundancy, or other circumstances as the Committee determines, the Committee may use its discretion to determine if they remain entitled to receive a bonus (based on performance during the performance year and pro-rated for time served) in respect of the financial year in which they ceased employment. One-third of the total net bonus will be subject to compulsory deferral, unless the Committee decides otherwise. An annual bonus will not be awarded for any portion of a notice period not served.</p> <p>US executive director: If employment is terminated by the Company (other than for cause as defined in the contract) or the executive director resigns for a 'good reason' (as defined in the contract), the executive director will be entitled to a termination payment equal to the bonus payable at target level pro-rated for time served during the relevant financial year.</p>
Long-term incentives	<p>As governed by the relevant share plan rules. Where an executive director leaves the Group by reason of ill-health, injury, disability, retirement with the agreement of the Company (other than Restricted Shares held by US executive directors), sale or transfer of a business, redundancy or other circumstances as the Committee determines, unvested awards and options generally continue and vest on the normal vesting date (or, for Performance Shares held by US executive directors, the first normal vesting date or, if later, cessation), unless the Committee determines that the awards should vest earlier. Any performance conditions will be applied at the time of vesting and the number of awards or options will, unless the Committee decides otherwise, be reduced pro-rata to reflect the period in which the executive director was in employment as a proportion of the relevant vesting period (or, for Performance Shares held by US executive directors, as a proportion of the initial three-year vesting period). Options normally remain exercisable for six months after cessation (or vesting, if later) and 12 months after death. In the event of death, awards generally vest immediately subject to meeting any performance conditions at that time, with awards pro-rated as described above. Where an executive director's employment is terminated for any other reason, their unvested awards and options will lapse. Where an executive director's employment is terminated or an executive director is under notice of termination for any reason, no LTI awards will be granted. In the case of unvested deferred bonus shares, these continue and vest on the normal vesting date, except in the event of death when the shares vest immediately.</p>
Other	<p>The Committee may pay amounts necessary to settle or compromise any claim or by way of damages, where it is the opinion of the Committee that it is in the best interests of the Company to do so. In the event of termination, it is the Committee's policy to seek to limit any payment to not more than one year's base pay. Where appropriate, the Company may also meet a director's reasonable legal expenses in connection with their termination.</p>
Chair and non-executive directors	<p>The Chair's letter of appointment includes a six-month notice period. In the event of the termination of the Chair's appointment, a payment in lieu may be paid for any portion of the notice period not served. Non-executive directors do not have notice periods and no additional payments will be due. Upon termination, the Company has no obligation to make any termination payments to non-executive directors.</p>

## Illustration of application of policy

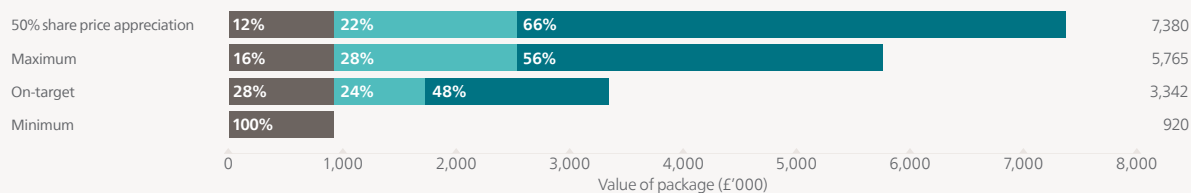
The charts below illustrate the value of remuneration for each executive director in the first year of operation of the Remuneration policy. The values are based on 2025 levels for base pay, estimated pension and benefits, and 2025 award levels for annual incentive and long-term incentives. The charts assume the following scenarios and exclude dividends:

Minimum	Fixed pay comprising base pay, pension and benefits plus Restricted Shares for the US executive director.
On-target	Minimum fixed pay plus on-target performance (50% of maximum) for annual incentives and Performance Shares.
Maximum	Minimum fixed pay plus stretch performance (100% of maximum) for annual incentives and Performance Shares.
Maximum plus 50% share price appreciation	In addition to the maximum scenario, a 50% gain in share price over the relevant vesting period in respect of Performance Shares and Restricted Shares.

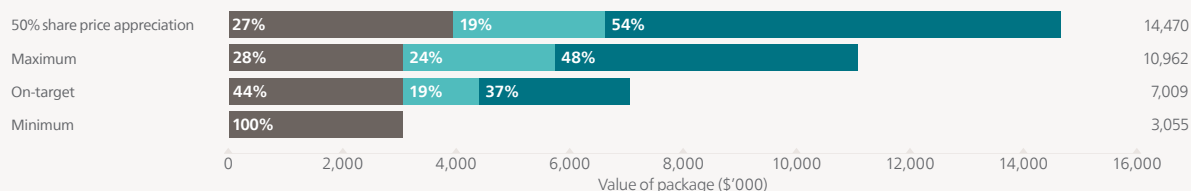
### Chief Executive (£'000)



### Chief Financial Officer (£'000)



### President and Chief Executive Officer of BAE Systems, Inc. (\$'000)



- Fixed pay (base pay, pension and benefits plus Restricted Shares)
- Annual incentives
- Performance Shares