

**CHEMRING GROUP PLC**  
**NOTICE OF ANNUAL GENERAL MEETING**  
**21 MARCH 2016**

Chemring  
Group |

**This document is important and requires your immediate attention.** If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your Chemring Group PLC ordinary shares you should send this document and all accompanying documents 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.



# NOTICE OF ANNUAL GENERAL MEETING

**Notice is hereby given that the 110th Annual General Meeting of the shareholders will be held at 11.00am on 21 March 2016 at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS for the purpose of considering and, if approved, passing the following resolutions:**

## Ordinary resolutions

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1. To receive and adopt the Company's annual accounts for the year ended 31 October 2015, together with the directors' report and the auditor's report on those accounts.
2. To receive and approve the directors' remuneration policy, as set out on pages 63 to 72 of the directors' remuneration report contained within the Company's annual report and accounts for the year ended 31 October 2015, such directors' remuneration policy to become binding immediately after the end of the Annual General Meeting on 21 March 2016.
3. To receive and approve the directors' remuneration report (other than the part containing the directors' remuneration policy) contained within the Company's annual report and accounts for the year ended 31 October 2015.
4. To re-elect Mr Peter Hickson as a director.
5. To re-elect Mr Steve Bowers as a director.
6. To re-elect Mrs Sarah Ellard as a director.
7. To re-elect Mr Michael Flowers as a director.
8. To re-elect Mr Andy Hamment as a director.
9. To re-elect Mr Nigel Young as a director.
10. To re-appoint Deloitte LLP as the Company's auditor, to hold office from the conclusion of the Annual General Meeting on 21 March 2016 until the conclusion of the next meeting at which accounts are laid before the Company.
11. To authorise the directors to agree Deloitte LLP's remuneration as the auditor of the Company.
12. That the Board be and is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any securities into, shares in the Company up to an aggregate nominal amount of £930,754, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 21 June 2017 (whichever is the earlier), save that the Company may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Board may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
13. That the rules of the Chemring Group Performance Share Plan 2016 (the "Plan") referred to in the Appendix to this Notice and in the Chairman's letter to shareholders dated 10 February 2016, and produced in draft to the meeting and, for the purposes of identification, initialled by the Chairman, be and are hereby approved, and the Board be authorised to:
  - (a) make such modifications to the Plan as they may consider appropriate to take account of the requirements of best practice and for the implementation of the Plan, and to adopt the Plan as so modified, and to do all such other acts and things as they may consider appropriate to implement the Plan; and
  - (b) establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Plan.

## NOTICE OF ANNUAL GENERAL MEETING continued

### Special resolutions

14. That subject to resolution 12 being passed, the Board be and is hereby generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash:

- (a) pursuant to section 570 of the Act and the authority conferred by resolution 12; and/or
- (b) pursuant to section 573 of the Act, where the allotment is an allotment of equity securities by virtue of section 560(3) of the Act;

in each case, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited:

- (x) to the allotment of equity securities in connection with an offer of equity securities:
  - (i) to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
  - (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

- (y) to the allotment of equity securities (otherwise than pursuant to paragraph (x) of this resolution) up to an aggregate nominal value of £139,613;

and (unless previously revoked, varied or reviewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 21 June 2017 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

15. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of its ordinary shares in the capital of the Company ("Shares") on such terms and in such manner as the directors may from time to time determine, and where such Shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:

- (a) the maximum aggregate number of Shares which may be purchased is 27,922,644;
- (b) the minimum price (exclusive of expenses) which may be paid for a Share is the nominal value thereof;
- (c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of:
  - (i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such Share is contracted to be purchased; and
  - (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out, and (unless previously renewed, revoked or varied), this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 21 June 2017 (whichever is the earlier), save that the Company may make a contract to purchase Shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Shares pursuant to it as if this authority had not expired.

All previous unutilised authorities to make market purchases of Shares are revoked, except in relation to the purchase of Shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

16. That the Company be and is hereby generally and unconditionally authorised, from the date of the passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company, to hold general meetings (other than Annual General Meetings) on not less than fourteen clear days' notice.

By order of the Board

**Sarah Ellard**

Group Legal Director & Company Secretary

10 February 2016

Chemring Group PLC  
Roke Manor  
Old Salisbury Lane  
Romsey  
Hampshire  
SO51 0ZN

## NOTES ON RESOLUTIONS

Resolutions 1 to 13 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 14 to 16 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three quarters of the votes cast must be in favour of the resolution.

### Resolution 1

The directors are required to present to the meeting the audited accounts and the reports of the directors and the auditor for the financial year ended 31 October 2015.

The annual report and accounts can be accessed on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)) or shareholders may obtain a copy by contacting the Company Secretary at the Company's registered office during usual business hours.

### Resolutions 2 and 3

In accordance with the provisions of the Companies Act 2006 (the "Act"), the directors' remuneration report in the 2015 annual report and accounts contains:

- a statement by Ian Much, the Chairman of the Remuneration Committee;
- the directors' remuneration policy in relation to future payments to current and former directors; and
- the annual implementation report on directors' remuneration, which details payments made to directors during the year ended 31 October 2015.

The directors' remuneration policy, which is set out on pages 63 to 72 of the directors' remuneration report in the 2015 annual report and accounts, is subject to a binding vote by shareholders at least every three years. The previous directors' remuneration policy was approved by shareholders at the Company's Annual General Meeting on 20 March 2014 but in light of changes made to the policy (as described therein) a further shareholder vote is now required. If resolution 2 is passed, the revised policy will become binding immediately after the Annual General Meeting on 21 March 2016. Payments will continue to be made to directors in line with the existing policy until this date.

Once the revised directors' remuneration policy is approved, the Company may not make a remuneration payment to a current or prospective director or a payment for loss of office to a current or former director, unless that payment is consistent with the policy or has been approved by a shareholder resolution.

If the revised directors' remuneration policy is approved and remains unchanged, it will be valid for up to three years without new shareholder approval unless the annual report on directors' remuneration (excluding the remuneration policy) is not approved by shareholders when put to an ordinary resolution prior to the expiry of the three year period. If the policy is not approved for any reason, the Company will, if and to the extent permitted by the Act, continue to make payments to directors in accordance with the existing policy and will seek shareholder approval for a further revised policy as soon as is practicable.

Resolution 3 is the ordinary resolution to approve the annual report on directors' remuneration, other than the part containing the directors' remuneration policy. This resolution is an advisory vote and does not affect the future remuneration paid to any director.

### Resolutions 4 to 9

In accordance with the Company's Articles of Association, all directors are required to submit themselves for re-election every three years. However, in order to ensure compliance with the UK Corporate Governance Code, all of the directors, with the exception of Ian Much, will voluntarily submit themselves for re-election at the forthcoming Annual General Meeting. Ian Much will stand down as a director at the end of the Annual General Meeting. As announced by the Company on 21 January 2016, Peter Hickson has decided to stand down as Chairman, and from the Board, as soon as a suitable replacement has been identified and appointed. In addition, Andy Hamment has indicated that, for personal reasons, he also intends to stand down from the Board as soon as a replacement can be appointed.

Biographical information on all of the directors seeking re-election is given below.

Peter Hickson joined the Group as a non-executive director on 1 July 2010, and was appointed Chairman of the Board on 1 October 2010. Currently Chairman of Communis plc and a non-executive director of Harworth Group plc. Peter has had senior management experience with a number of large international companies, and previous appointments include Chairman of Anglian Water Group, Senior Independent Director of London & Continental Railways Ltd, Finance Director of Powergen plc and non-executive directorships of Scottish Power plc, Marconi Corporation plc, RAC plc and Kazakhmys plc. He is also the UK Chairman of Orbis Charitable Trust, the international sight saving charity, and a Fellow of the Institute of Chartered Accountants.

Steve Bowers was appointed Group Finance Director on 7 January 2013. He was formerly Finance Director of Umeco plc until its acquisition by Cytec UK Holdings Limited in July 2012. During Steve's time with Umeco he was involved in both acquisitions and disposals, as well as in the management of financial reporting, treasury functions and banking relationships. Prior to his appointment as Finance Director, he held a number of financial roles at Umeco, alongside the role of Company Secretary. He qualified as a Chartered Accountant with KPMG LLP and is a member of the Institute of Chartered Accountants.

Sarah Ellard was appointed as Group Legal Director on 7 October 2011, having been Group Company Secretary since 1998. Prior to joining the Group, Sarah trained and worked at Ernst & Young LLP. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Michael Flowers was appointed to the Board as Group Chief Executive on 24 June 2014, having previously been Group Director - Munitions, with responsibility for running and subsequently disposing of the Group's European munitions businesses. Michael joined Chemring in 2006, and ran the Group's Australian operations for seven years. Prior to joining Chemring, Michael worked for BAE Systems in programme management roles, principally in the weapons systems and electronic warfare domains. Prior to his time with BAE Systems, Michael served as an officer in the Australian Army for twenty two years, and was a graduate of the Australian Command and Staff College and the British Royal Military College of Science.

## NOTES ON RESOLUTIONS continued

Andy Hamment was appointed as a non-executive director on 1 July 2013. He is also a non-executive director of Senior plc, and was previously Group Marketing Director and a main Board director of Ultra Electronics plc. Andy has worked in defence and manufacturing industries for most of his career, primarily in business development and management roles. He joined Dowty in 1988 as Managing Director of its Controls business, and participated in the management buy-out that created Ultra Electronics.

Nigel Young became a non-executive director on 1 May 2013, following his appointment as Interim Chief Financial Officer in August 2012. Following Ian Much's retirement as a director at the Annual General Meeting, Nigel will become Senior Independent Director. He is a Fellow of the Institute of Chartered Accountants. Previous appointments include Finance Director of ALVIS plc, First Technology plc, Babcock International plc and Morgan Advanced Materials plc. Nigel has also undertaken a number of interim finance roles, including a role with McBride plc. He is currently a non-executive director and Chairman of P2i Limited, a provider of liquid repellent nanotechnology, and is a Trustee and Board member of certain development charities.

### Resolutions 10 and 11

These resolutions propose the re-appointment of the auditor, and authorise the directors, in accordance with standard practice, to agree the remuneration to be paid to the auditor.

### Resolution 12

The directors of the Company may only allot shares if authorised to do so by the shareholders in general meeting. This resolution, if passed, will grant new authority under section 551 of the Act and will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new ordinary shares. Following completion of the rights issue announced by the Company on 21 January 2016 (the "Rights Issue"), the Company's issued ordinary share capital will be enlarged to 279,226,442 ordinary shares of 1 pence each in the capital of the Company. The authority will enable the directors to allot ordinary shares up to an aggregate nominal amount of £930,754, which will represent approximately one third of the issued ordinary share capital of the Company (exclusive of treasury shares) following completion of the Rights Issue (and which represents approximately 48.15 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 9 February 2016 (being the latest practicable date prior to the publication of this Notice)). This limit is in line with the guidelines issued by the Investment Association.

The directors have no present intention of exercising this authority except for the purpose of allotting shares under the terms of the Company's employee share schemes. The authority will expire at the conclusion of the next Annual General Meeting or on 21 June 2017 (whichever is the earlier).

### Resolution 13

The Company's existing Performance Share Plan 2006 will reach the end of its ten-year life in March 2016. The Remuneration Committee has recently undertaken a review of the Company's long-term incentive provision and has determined that a new performance share plan should be established in 2016 to replace the expiring performance share plan.

Resolution 13 therefore seeks shareholder approval to introduce the new performance share plan to replace the existing 2006 plan. The new Chemring Group Performance Share Plan 2016 (the "Plan") will share many of the features of the existing plan but has been updated to reflect current legislation, best practice and corporate governance requirements. The main terms of the Plan are summarised in the Appendix to this Notice.

It is currently intended that the first awards will be made under the Plan in January 2017.

### Resolution 14

If passed, this resolution will allow the directors, pursuant to section 571(1) of the Act, to allot shares for cash without first offering them to shareholders in accordance with the Act and renews the authority given at the Annual General Meeting in 2015. Following completion of the Rights Issue, the Company's issued ordinary share capital will be enlarged to 279,226,442 ordinary shares of 1 pence each in the capital of the Company. This authority is limited to the allotment of shares for cash up to an aggregate nominal amount of £139,613, which represents approximately 5 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) following completion of the Rights Issue (and which represents approximately 7.22 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 9 February 2016 (being the latest practicable date prior to the publication of this Notice), without having to first offer them to shareholders in proportion to their existing holdings. This limit is within the guidelines issued by the Pre-emption Group. In addition, in accordance with normal practice, the resolution will enable the Board to allot shares pursuant to a rights issue or open offer, and to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer. The authority will expire at the conclusion of the next Annual General Meeting or on 21 June 2017 (whichever is the earlier). It is the directors' intention to review this authority every year. There are no present plans to exercise this authority.

## Resolution 15

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If passed, this resolution will give the Company authority to purchase its own shares in the market up to a limit of 10 per cent of the Company's issued ordinary share capital as enlarged following completion of the Rights Issue. The maximum and minimum prices are stated in the resolution. The directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. In the event that shares are purchased, they will either be cancelled (and the number of shares in issue will be reduced accordingly) or retained as treasury shares, as an alternative to cancelling them.

Shares repurchased as treasury shares will be held with a view to possible resale at a future date, rather than having to cancel them. This gives the Company the ability to reissue treasury shares quickly and cost effectively, and provides the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10 per cent anti-dilution limit set by the Investment Association.

The directors have no present intention of making such purchases and will only exercise this authority if they are satisfied that a purchase can be expected to result in an increase in earnings per share and will be in the interests of shareholders generally.

## Resolution 16

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The Act provides that general meetings of a company may be held on not less than fourteen clear days' notice in writing. However, the Shareholder Rights Directive (Directive 2007/36/EC), which came into force on 1 August 2009, made it a requirement for a company whose shares are traded on the London Stock Exchange (among other markets), to seek approval each year from its shareholders if any general meeting is to be held on less than twenty one days' notice in writing. Resolution 16 seeks such approval. It will only be effective until the conclusion of the next Annual General Meeting, when the Company may propose a similar resolution. It is intended that the shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be in the interests of shareholders as a whole.

## SHAREHOLDER NOTES

1. A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders in the Company) to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Computershare Investor Services PLC on +44(0)370 889 3289 to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed form. A shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.
2. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. A proxy form accompanies this Notice and in order to be valid should be completed and returned to the Company's registrars: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 11.00am on 19 March 2016. Alternatively, you may register your vote electronically by accessing the registrar's website at [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). In order to be valid, electronic votes must also be registered not later than 11.00am on 19 March 2016 or not later than forty-eight hours before the time appointed for any adjourned meeting.
3. Shareholders who are users of the CREST system (including CREST Personal Members) may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Company's agent (ID number 3RA50) not later than forty-eight hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Company's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers, provided that if two or more representatives purport to vote in respect of the same shares (i) if they purport to exercise the power in the same way as each other, the power is treated as exercised that way; and (ii) in other cases, the power is treated as not exercised.
5. A 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 who he/she was nominated, have the 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 proxy 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.
6. The statements of the rights of shareholders in relation to the appointment of proxies in this Notice do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by registered shareholders.
7. Under section 319A of the Companies Act 2006 any member attending the meeting has the right to ask questions. The Company must answer 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 for 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.
8. Only persons entered in the register of members of the Company at 6.00pm on 18 March 2016 or, in the event that the meeting is adjourned, 6.00pm on the date which is two working days prior to the reconvened meeting, shall be entitled to attend or vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.
9. As at 9 February 2016 (being the latest business day prior to publication of this Notice), the Company's issued share capital (excluding treasury shares) consisted of 193,310,614 ordinary shares, carrying one vote each, and 62,500 preference shares. In connection with the Rights Issue, the Company has provisionally allotted 85,915,828 ordinary shares. Accordingly, following completion of the Rights Issue (and assuming no further shares are issued before that date), the Company's issued share capital (excluding treasury shares) will be 279,226,442 ordinary shares and 62,500 preference shares. Preference shareholders are not entitled to attend and vote at the meeting. The Company holds 2,198,814 ordinary shares in treasury (which represents 1.14 per cent of the Company's existing issued ordinary share capital (excluding treasury shares) as at 9 February 2016 (being the latest business day prior to publication of this Notice), which leaves voting rights over 193,310,614 ordinary shares as at 9 February 2016, and 279,226,442 ordinary shares following completion of the Rights Issue (assuming no further shares are issued before that date).



10. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to 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 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. The Company may not require the members requesting that any such statement be published on its website to pay its expenses in complying with sections 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 that 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 its website.
11. Copies of the following documents are available for inspection at the registered office of the Company during normal business hours every business day, and will also be available at the place of the Annual General Meeting for one hour prior to and until the close of the meeting:
- (a) the rules of the Chemring Group Performance Share Plan 2016 proposed by resolution 13; and
  - (b) all service contracts or letters of appointment between the Company and its directors.
- A copy of the rules of the Chemring Group Performance Share Plan 2016 will also be available for inspection at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HS from the date of this Notice during normal business hours on every business day until the Annual General Meeting is concluded or adjourned.
12. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)).
13. As soon as practicable following the Annual General Meeting, the results of the voting will be announced via a regulatory information service and also placed on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)).

## APPENDIX

### Summary of the principal terms of the Chemring Group Performance Share Plan 2016 (the “Plan”)

#### Operation

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The Remuneration Committee of the Board of Directors (the “Committee”) will supervise the operation of the Plan.

#### Eligibility

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Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Committee.

It is currently anticipated that participation in the Plan will be limited to the Company's executive directors and selected senior management.

#### Grant of awards

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The Committee may grant awards to acquire ordinary shares in the Company (“Shares”) within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Plan or at any other time when the Committee considers there are sufficiently exceptional circumstances which justify the granting of awards. It is intended that the first awards under the Plan will be made in January 2017.

The Committee may grant awards as conditional share awards or nil (or nominal) cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

An award may not be granted more than ten years after shareholder approval of the Plan.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

#### Individual limit

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An employee may not receive awards in any financial year over Shares having a market value in excess of 150 per cent of his annual base salary in that financial year. In exceptional circumstances, such as recruitment, this limit is increased to 200 per cent of an employee's annual base salary.

#### Performance conditions

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The vesting of awards granted to executive directors will be subject to performance conditions set by the Committee.

It is the Committee's current intention that the first awards made to executive directors under the Plan, anticipated to be made in January 2017, will be subject to two performance conditions measured over a period of three financial years: one-half of an award will be based on the compound annual growth in the Company's underlying earnings per share and the other half of the award will be subject to a sliding scale of relative total shareholder return targets, measured against a bespoke group of companies. It is currently intended that 25 per cent of each part of the award would vest at threshold performance, with a sliding scale of targets applying to achieve full vesting. The Committee will consult with major shareholders when setting the targets for the 2017 awards.

The Committee can set different performance conditions for future awards made to executive directors and the Committee may set different or no performance conditions for participants who are not executive directors (taking account of their individual roles and responsibilities) provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than the conditions described above.

The Committee may vary the performance conditions applying to existing awards if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less difficult to satisfy than the original conditions would have been but for the event in question.

#### Vesting of awards

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Awards granted to executive directors normally vest three years after grant. Awards granted to employees other than executive directors may vest at such time set by the Committee.

Awards will vest to the extent that any applicable performance conditions have been satisfied and provided the participant is still employed in the Company's group. Awards in the form of nil (or nominal) cost options will be exercisable for a period of six months commencing on the date of vesting unless they lapse earlier.

#### Dividend equivalents

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The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the settlement of their awards, of an amount equivalent to the dividends payable on vested shares between the date of grant and the vesting of an award.

#### Leaving employment

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As a general rule, an award will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or a director because of his death, ill-health, injury or disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee, then his award will normally vest on the date when it would have vested if he had not ceased such employment or office.

The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which any performance conditions have, in the opinion of the Committee, been satisfied on the normal vesting date (i.e. at the time they would have been assessed had the participant not ceased employment or office); and (ii) pro-rating of the award to reflect the reduced period of time between its grant and vesting based on each complete year of the participant's service (rounded up to the nearest whole year), although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do in the particular circumstances.

Alternatively, if a participant ceases to be an employee or director in the Company's group for one of the “good leaver” reasons specified above, the Committee can decide, in exceptional circumstances, that his award will vest on the date of cessation, subject to: (i) any applicable performance conditions measured at that time; and (ii) pro-rating by reference to the time of cessation as described above.

## Corporate events

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In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that any performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting based on each complete year of the participant's service (rounded up to the nearest whole year), although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation, awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

## Clawback

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Awards may be reduced at any time before they vest if the Committee determines that there has been a material misstatement in the Company's financial statements and/or an error or inaccurate or misleading information which has resulted in the awards being granted over a higher number of Shares that would otherwise have been the case and/or in circumstances where the participant has (or could have) been dismissed for misconduct.

Awards may also be subject to clawback if, in the three year period following the vesting of the awards, the Committee determines that there has been a material misstatement in the Company's financial statements and/or an error in assessing any applicable performance conditions and/or in circumstances where the participant has (or could have) been dismissed for misconduct. The Committee may satisfy the clawback by recovering and withholding future incentive compensation, including but not limited to the amount of any unpaid bonus, the number of shares under a vested but unexercised award and/or a requirement to make a cash payment.

## Participants' rights

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Awards settled in Shares will not confer any shareholder rights until the awards have vested or the options have been exercised as relevant and the participants have received their Shares.

## Rights attaching to Shares

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Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

## Variation of capital

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In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

## Overall Plan limits

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The Plan may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and
- (b) 5 per cent of the issued ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

## Alterations to the Plan

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The Committee may, at any time, amend the Plan in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an award.

## Overseas plans

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The shareholder resolution to approve the Plan will allow the Board to establish further plans for overseas territories, any such plan to be similar to the Plan, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Plan.

