This document is important and requires your immediate attention

MEARS GROUP PLC
NOTICE OF GENERAL MEETING 2013

Notice is hereby given that a General Meeting (GM) of Mears Group PLC (the "Company" or "Group") will be held at the offices of Investec Bank PLC, 2 Gresham Street, London EC2V 7QP on Wednesday 5 June 2013 immediately following conclusion of the Annual General Meeting. You will be asked to consider and, if thought fit, to pass the Ordinary Resolutions below:

Ordinary Resolutions

Resolution 1:

To approve the establishment of the Mears Group plc 2013 Management Incentive Plan ("MIP"), the principal terms of which are summarised in the Appendix to this Notice and are produced to the GM and initialled by the Chairman for the purposes of identification; and to authorise the directors of the Company to do all acts and things necessary to establish and carry the MIP into effect.

Resolution 2:

To approve the establishment of the Mears Group plc 2013 Share Plan ("Share Plan"), the principal terms of which are summarised in the Appendix to this Notice and are produced to the GM and initialled by the Chairman for the purposes of identification; and to authorise the directors of the Company to do all acts and things necessary to establish and carry the Share Plan into effect.

By order of the Board

R B Pomphrett
Secretary
20 May 2013

1390 Montpellier Court
Gloucester Business Park
Brockworth
Gloucester GL3 4AH

Explanatory notes

Resolutions 1 and 2

Resolution 1 seeks your approval of adoption of the MIP. Resolution 2 seeks your approval of adoption of the Share Plan. The MIP and Share Plan together form the basis of a new incentive structure for executive directors and senior management at the company which will forge a stronger link between remuneration and the Company's strategic objectives. Further details in relation to the key terms of the MIP and Share Plan are set out in the Letter from the Chairman of the Remuneration Committee of the Company and the Appendices to this Notice.

The Ordinary Resolutions will be passed if the votes cast for the resolutions are more than those cast against.

Notes:

1. As a member of the Company, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the GM and you should have received a Form of Proxy with this Notice of GM. You can only appoint a proxy using the procedures set out in these notes and the notes to the Form of Proxy. Appointment of a proxy does not preclude you from attending the GM and voting in person. If you have appointed a proxy and attend the GM in person, your proxy appointment will automatically be terminated.

2. Information regarding the meeting, including the information required by Section 311A of the Act, is available from www.mearsgroup.co.uk.

3. A proxy does not need to be a member of the Company but must attend the GM to represent you. If you wish your proxy to speak on your behalf at the GM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. To appoint a proxy using the Form of Proxy, the form must be: (i) completed and signed; (ii) sent or delivered to the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; and (iii) received by the Company's Registrars no later than 48 hours before the appointed time of the GM.

5. Any power of attorney or any other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

6. As at 5.00pm on 15 May 2013 (being the latest practical date prior to the printing of this Notice) the Company's issued share capital consists of 98,470,435 ordinary shares of 1p, carrying one vote each.

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the GM and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s); should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. 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 instructions, as described in the CREST Manual. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournments of it by using the procedures described in the CREST Manual (available from www.euroclear.com/site/public/EUI).

9. Pursuant to Regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755) the Company has specified that only those members registered on the Register of Members of the Company at 9.30am on 3 June 2013 shall be entitled to attend and vote at the GM in respect of the number of ordinary shares registered in their name at that time. Changes to the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the GM.

There will be available for inspection at the Company's registered office during normal business hours from the date of this Notice to the date of the GM and for 15 minutes prior to and during the GM the following:

(a) Rules of the MIP; and

(b) Rules of the Share Plan.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

In this letter and attached Appendices, we provide you with an explanation of Resolutions 1 and 2 set out in the Notice convening the General Meeting, which is being submitted to shareholders in connection with the introduction of a new incentive structure at the Company. This structure consists of the Mears Group plc 2013 Management Incentive Plan ("MIP") and the Mears Group plc 2013 Share Plan ("Share Plan").

Background

Over the past few months the Remuneration Committee of the Board of Directors of the Company (the "Committee") has reviewed the current incentive arrangements for the Company's Chief Executive Officer, Chief Financial Officer, Executive Director (together the "Executive Directors") and senior management and has identified the need for a new structure which:

- Better reflects the Group's future business strategy;
- Provides a stronger link between reward and corporate performance in order to appropriately retain and motivate the Executive Directors and senior management who are critical to executing the business strategy;
- Incorporates more flexible and strategically aligned performance metrics;
- Provides a simplified and clearly understood structure with an appropriate probability of payout where justified by performance; and
- Aligns the interests of shareholders, Executive Directors and senior management more closely over the longer term by providing a greater exposure to share price movements.

The proposed incentive structure aims to deliver an appropriate mix of cash and shares dependent on financial and strategic performance and will be subject to both forfeiture and a longer holding period than the current arrangements. This approach will ensure that strong year-on-year corporate performance is rewarded. The focus on annual performance, as an element of the MIP, will also ensure that the Committee retains the flexibility to select targets which drive shareholder value in a highly uncertain and challenging economic and business environment. To ensure alignment with shareholders over the long term, shares are deferred over a five year period.

Context

The Board considers that the Group is performing well against its strategic objectives driven by the consolidation of its position as the market leader in social housing, consistent revenue and profit growth and the significance of recent acquisitions. This should also be viewed against the backdrop of a number of its competitors having ceased trading over recent years. However, to remain competitive and successful, Mears needs to be able to motivate and retain the team of talented individuals who have succeeded in a market where others have failed.

Against this backdrop, there is a concern that a mismatch exists between the levels of corporate performance achieved and efforts made by our Executive Directors and senior management to achieve this over recent years and, on the other hand, levels of compensation received by the Executive Directors. The following table summarises the Group's financial performance over the last five years as well as the remuneration earned by the Executive Directors. This shows that, despite significant financial growth, the Executive Directors' remuneration has not increased and there is no correlation.

	2008	2009	2010	2011	2012	% change 2008-2012
Revenue (m)	£420.38	£470.15	£523.94	£589.00	£679.50	61.6%
Operating profit (m)	£21.03	£24.75	£31.32	£31.50	£33.60	59.8%
Normalised EPS(p)	18.99	21.61	23.38	26.01	27.75	46.1%
Dividend per share (p)	4.75	5.70	6.75	7.50	8.00	68.4%
Total director remuneration* (£'000)	£1,426	£962	£1,130	£730	£730	-48.8%

*Total director remuneration equals salary, pension, bonus paid and expected value of LTIP award (i.e. value at grant which takes into account potential performance condition and share price growth outcomes) for the Executive Directors

Therefore, we believe that the current structure has not had the desired effect and is not working as an incentive to our senior executives. Further, the link between reward and performance needs to be strengthened.

Summary of the new incentive structure

The new incentive structure can be summarised as follows:

- The current structure of a 75% of salary annual bonus opportunity and 200% of salary annual long term incentive ("LTIP") award will be replaced by one new structure – the MIP;
- Under the MIP:
  - A maximum annual contribution of 250% of salary can be paid into an Executive Director's plan account based on the satisfaction of two performance conditions and financial underpins in relation to the Earnings per Share ("EPS") performance condition;
  - The first performance condition will be growth in EPS, with the target being 8%-15% growth per annum over a 5 year period. Whilst the stretch target can be adjusted upwards each year to reflect market conditions, the target level cannot be reduced below 8% EPS growth per annum. This performance condition will account for 80% of the maximum annual contribution subject to the achievement of pre-determined financial underpins;
  - The second performance condition will be growth in Absolute Total Shareholder Return (Absolute TSR), with the target for the first year of operation being 8%-15% growth. The Absolute TSR target for subsequent years will be set at the beginning of the particular financial year. This performance condition will account for 20% of the maximum annual contribution;
  - The extent to which the EPS and Absolute TSR targets are achieved will be tested on an annual basis and the annual contribution paid into the Executive Director's plan account will be calculated by reference to the level of satisfaction;
  - In addition, financial underpins, which will impact on contributions which can be made in relation to the EPS performance condition, will be set at the beginning of each financial year. To the extent that these underpins are not met in that particular year, no contribution will be made to the Executive Director's plan account regardless of the level of EPS growth achieved. For the 2013 financial year, the financial underpins will be based on threshold levels of cash conversion and Return on Capital Employed ("ROCE");
  - The MIP will operate over a period of five financial years;
  - There will be an entitlement to an annual payment of 50% of the balance of the plan account (with the priority being a cash payment) with the remainder being deferred in shares and paid out over the plan period;
  - 50% of the plan account will be at risk of forfeiture each year if a minimum level of corporate performance is not met. The minimum level of corporate performance will take into account the EPS outturn for the previous year, as well as the outturn of other key performance indicators. For example, if the EPS growth in the

    - previous year was 10%, the minimum acceptable threshold for the following year could be set at x% of the previous year outturn when factoring in the market conditions and business strategy at that time. The forfeiture condition would also take into account exceptional issues such as a material misstatement of financial results; and
    - On the fifth anniversary of the start of the plan, the balance of participants' accounts will be paid.
- In addition to the MIP, an award of shares of 200% of salary set by reference to the average of the closing share prices over the 30 day period prior to 1st January 2013 will be granted under the Share Plan:
    - This award reflects the historic misalignment between the Group's long-term strategic and financial performance and the actual rewards earned by the Executive Directors and management;
    - This award also addresses the fact that no LTIP awards were granted in 2011 or 2012 and, had such awards been made, an expected payout of 55% would equate to a combined award of the proposed award;
    - The award will be subject to a three year vesting period, which provides alignment over the long term and a balance against the annual performance measures used under the MIP; and
    - The award addresses the retention risk created by the disconnect between reward and performance.

Board recommendation

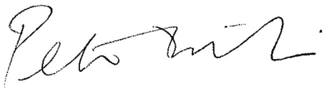
As we continue to operate in a difficult economy with substantial cuts in our clients' budgets, the services provided by the Executive Directors are vital to the Group's ability to deliver its business strategy and drive value for shareholders in the future. The importance of this is increased by the transformational acquisition of Morrison, as we undergo the process of integrating the operations of a company which was previously one of our largest competitors, together with the acquisition of ILS.

The Board has consulted extensively with its major shareholders on the detailed terms and conditions of the MIP and Share Plan. The final terms and conditions of the MIP and Share Plan reflect changes requested by shareholders during the process, which predominantly relate to the performance conditions to be imposed under the MIP.

The Board believes that the new incentive structure will forge a stronger link between remuneration and our strategic objectives and will enable us to recruit and retain those employees of exceptional talent. In addition, the new incentive structure is designed to be compliant with best practice corporate governance and sustainability of strong corporate performance over the longer term.

The Board considers the new incentive structure to be in the best interests of the Company and shareholders as a whole and unanimously recommends that you vote in favour of Resolutions 1 and 2.

Yours faithfully,



Peter F. Dicks
Chairman of the Remuneration Committee

Appendix 1
Details of the MIP and Share Plan

The implementation of the new incentive arrangements forms an essential component of the Company's remuneration policy which balances conservative levels of fixed remuneration with a highly competitive total remuneration package if corporate performance is strong. The table below summarises how the proposed structure fulfils our policy objectives:

Objectives	Design Element
• Better reflect the Group's future business strategy.	• Ability to set annual performance conditions under the MIP which reflect business focus and strategy in a volatile market.
• Provide a stronger link between reward and corporate performance in order to appropriately retain and motivate the Executive Directors and senior management who are critical to executing the business strategy.	• Grant of award under the Share Plan based on historic performance and reflects the historic disconnect between reward and strategic performance and strengthens the link. • A three year vesting period for awards granted under the Share Plan provides alignment over the long term. • Lock-in provided through deferral of payments earned under the MIP over a five year period.
• Incorporate more flexible and strategically aligned performance metrics.	• Ability to set a variety of financial underpins and Absolute TSR target on an annual basis to support EPS growth.
• A simplified and clearly understood structure with an appropriate probability of payout.	• The existing 75% of salary bonus and 200% LTIP will be combined into one incentive arrangement of 250% under the MIP to be delivered in a mixture of cash and shares.
• Align the interests of Executive Directors and senior management more closely over the longer term and provide a greater exposure to share price movements over this period.	• Payments under the MIP are earned over a five year period. • Awards granted under the Share Plan will be subject to a three year vesting period. • Increased portion of reward being delivered in shares rather than cash through the MIP, thus increasing strength of alignment with shareholders. • Long term sustainable performance promoted through forfeiture condition imposed under the MIP.

MIP

The MIP has been designed to replace both the existing short-term and long-term incentive arrangements. Key features of the MIP are set out below:

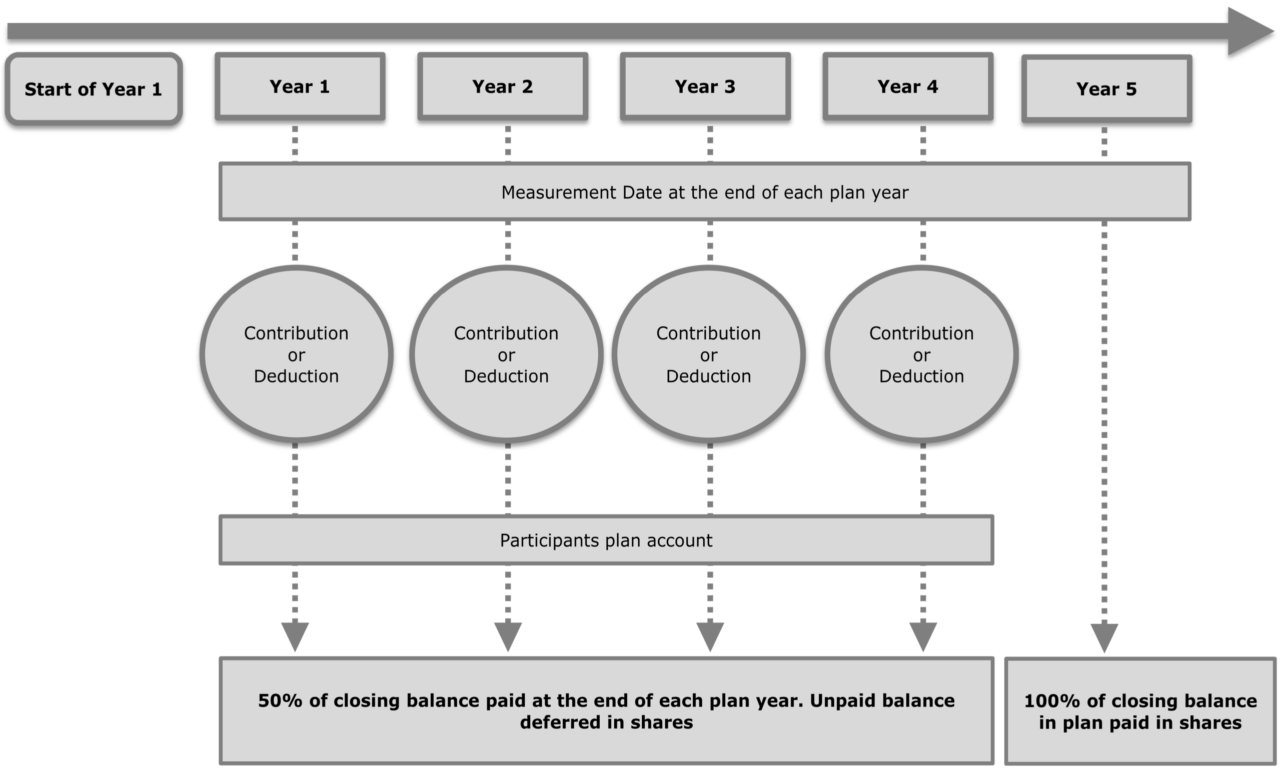
- Participants will have a plan account into which contributions are made;
- Contributions will be made annually with payments made each year to ensure an overlap with the next plan year depending on the extent to which the performance conditions are met;

- No contribution will be made to a participant's plan account unless the performance conditions and financial underpins set at the beginning of the relevant year are satisfied; and
- Participants will have a maximum annual contribution as a percentage of salary, as follows:

Role	Maximum Annual Contribution (% of salary)
Chief Executive Officer	250%
Chief Financial Officer	250%
Executive Director	250%
Others	Up to 125%

Operation of the MIP

The following schematic illustrates the operation of one cycle of the MIP:



Terms of the MIP

The principal terms of the MIP are as follows:

Term	Proposal	Rationale
Overview	• Contributions will be made annually to the participant's plan account based on satisfaction of an EPS growth target (80% of Maximum Annual Contribution) and an Absolute TSR growth target (20% of Maximum Annual Contribution).	• Setting EPS growth targets for the five year plan period provides alignment with the interests of shareholders over the long-term. • Imposing an Absolute TSR growth target each year ensures that there is a strong link between

Term	Proposal	Rationale
	• EPS growth targets will be set for the five year plan period (although with an ability to adjust the stretch target upwards annually) but will be tested on an annual basis. • Absolute TSR growth targets for each financial year will be set at the start of that financial year, taking into account market expectations and economic environment at the applicable time. • No contribution to the participants' plan account based on EPS growth will be made unless financial underpins – set at the beginning of each year – have been satisfied.	shareholder value creation and executive reward. • The imposition of financial underpins so far as the EPS growth performance condition is concerned ensures that the quality of earnings is protected and overall corporate performance is strong before a contribution to the plan accounts is made. Further, it protects against unintended outcomes from the use of a single EPS growth measure. • The MIP allows the Committee to set the financial underpins on an annual basis to ensure relevance to the business where the Group is operating in a volatile market.
Contribution levels	• Annual contributions made to Executive Directors will be capped at a maximum of 250% of salary. • For other participants, the Maximum Annual Contribution will range from 25% to 125% of salary.	• As the MIP has been designed to replace both the existing short-term and long-term incentive arrangements, the Maximum Annual Contribution for the Executive Directors of 250% can be compared with maximum award potentials under both the existing LTIP (200%) and short-term (75%) incentive frameworks. It represents a reduction in potential award levels and the Maximum Annual Contribution can be earned only where significant EPS growth, coupled with Absolute TSR growth, is achieved.
Payments	• Participants will be entitled to an annual payment of 50% of the balance of their plan account at the end of each plan year. • Cash payments will be made in priority to shares. • This continues for four years with the remaining balance being paid out in shares in year five, when a new cycle would start.	• Retention of Executive Directors and senior management is promoted through the deferral of 50% of any bonus being paid in shares. • The deferred element in shares allows that part of the Maximum Annual Contribution for a given financial year to reflect longer term shareholder value. • An effective lock-in mechanism is also provided as deferred shares are at risk and may be forfeited if the participant ceases employment during the deferral period.

<table>
<tr><th>Term</th><th>Proposal</th><th>Rationale</th></tr>
<tr>
<td>Stretching performance conditions</td>
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The Company’s contribution to a participant’s plan account at the end of each financial year will be based on the level of satisfaction of two performance conditions:
Growth in adjusted EPS (subject to financial underpins); and
Growth in Absolute TSR.
The following tables set out the levels of performance which must be attained for a contribution to the MIP:

<table>
<tr><th>EPS Growth per annum</th><th>Contribution (of 80% maximum)</th><th>Contribution (as % of salary)</th></tr>
<tr><td>8%</td><td>40% of an individual’s maximum contribution</td><td>56% of salary</td></tr>
<tr><td>9%</td><td>70% of an individual’s maximum contribution</td><td>140% of salary</td></tr>
<tr><td>15%</td><td>100% of an individual’s maximum contribution</td><td>200% of salary</td></tr>
</table>
Straight line contribution between 9% and 15% points.
<table>
<tr><th>Absolute TSR Growth for FY13</th><th>Contribution (of 20% maximum)</th><th>Contribution (as % of salary)</th></tr>
<tr><td>8%</td><td>40% of an individual’s maximum contribution</td><td>14% of salary</td></tr>
<tr><td>9%</td><td>70% of an individual’s maximum contribution</td><td>35% of salary</td></tr>
<tr><td>15%</td><td>100% of an individual’s maximum contribution</td><td>50% of salary</td></tr>
</table>
Straight line contribution between 9% and 15% points.

The base EPS figure for 2012 is 24.12p. This reflects the IAS19 cost as well as long term incentive related costs. The 2013 EPS figure

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The Committee believes that the EPS growth performance condition (the first condition) is directly aligned to the Company’s strategic objectives over the long term and also that it is transparent, fully understood by participants and an externally audited metric over which they have line of sight.
Setting the EPS performance condition for the duration of the plan (five years) provides alignment with the interests of shareholders over the long term.
The range of 8% - 15% is line with consensus forecasts and reflects the challenging environment in which the Group is operating.
The EPS growth target of 8% has been set in relation to the Board’s internal forecasts assuming:
- strong growth in social housing offset with challenges in integrating lower margin Morrison business into the Company’s service delivery structure;
- low levels of organic growth in care due to short term pricing challenges and recruitment; and
- current losses in other lines of services.
This level of growth is comparable to analyst expectations for competitors of the Company.
The Committee believes that 15% EPS growth is an appropriate stretch which would reflect excellent performance in the current market and against which a maximum contribution of 200% salary is warranted.
The Committee believes that the EPS growth range provides a balance between ensuring that there is a reasonable probability of some payout in order to provide an effective tool to incentivise and motivate participants and one where the maximum pay-out would reflect excellent performance in the current

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<table>
<tr><th>Term</th><th>Proposal</th><th>Rationale</th></tr>
<tr><td></td><td>will be calculated on a consistent basis.
The 2013 EPS growth target will be 26.05p (8%) and the stretch target will be 27.74p (15%).
Absolute TSR growth measures the overall value delivered to shareholders. This total amount comprises of capital gain (share price appreciation) plus dividends. TSR will be calculated at the beginning and end of the financial year by using an averaging period of 30 days for both calculations.
The Committee will set the financial underpins at the beginning of the relevant plan year.
In respect of 2013, the financial underpins, which must be satisfied before any contribution can be made to the participant’s plan account will be:
<table><tr><th>Underpin</th><th>Level</th></tr><tr><td>ROCE</td><td>10%</td></tr><tr><td>Cash conversion</td><td>70%</td></tr></table>
ROCE is defined as Operating Profit before acquisition intangible amortization and exceptional costs /(Total assets - Current liabilities less all balances relating to bank borrowing and overdraft classified within Non-Current Liabilities as at the end of the financial year).
Cash conversion is defined as underlying cash inflow from operating activities as a proportion of Operating Profit before acquisition intangible amortization and exceptional costs measured as at the end of the financial year.
Prior to approving the contribution to be made to the MIP in relation to any financial year, the Committee will assess the overall financial health of the Company and has discretion to reduce the level of the contribution where it believes that the overall financial position of the Company justifies this.
To the extent that there is a</td><td>environment.
The Absolute TSR growth targets set for FY13 are calibrated by reference to the EPS growth targets as the rationale described above applies equally.
The financial underpins are set at levels which ensure that the Company manages working capital efficiently and that there is efficient capital management. The levels also reflect the fact that these metrics are operating as financial underpins rather than performance measures.
The discretion retained by the Committee to take into account the financial health of the Company when determining the annual contributions ensures that payments will reflect overall corporate performance.</td></tr>
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Term	Proposal	Rationale
	material impact on earnings or working capital during the performance period e.g. relating to the acquisition, disposal or discontinuance of a business and associated costs, this will be taken into account by the Committee when assessing the performance targets at the end of the financial year.	
Clawback/ Forfeiture	• A minimum level of performance will be set by the Committee each year. • When this minimum is not achieved in a particular year, 50% of the deferred balance in a participant's plan account at that date (i.e. 25% of the contribution earned) will be forfeited.	• An annual forfeiture risk provides comfort that the participants are focused on longer term sustainable risk adjusted performance. • Assuming consistent performance, the amount of the deferred balance at risk increases over the MIP period, further encouraging a long-term view to be taken by participants.
Corporate Dilution Limits	• An overall limit on the number of new issue shares that can be used under the MIP and any other share scheme of 10% of the issued share capital in any ten year period (5% for executive plans). • The Company can supplement such a limit by purchasing shares in the market and holding them in an employee benefit trust ("EBT").	• Adherence to standard ABI dilution limits. • Market purchase shares of up to 5% of the issued share capital can be used to supplement the 10% newly issued limit.
Cessation of Employment	• The participant will forfeit the unpaid balance of his plan account on cessation of employment for any reason other than as a result of injury, disability, death, retirement, redundancy or such other reason as the Committee may determine. • Where a participant's cessation of employment is for one of the above reasons they will be considered to be a good leaver for the purposes of the rules of the MIP and their plan account will be paid out in full. • Where the participant is a good leaver during the course of a plan year, the participant will continue in the MIP until the next Measurement Date and shall receive a bonus pro-rated to the time the participant is employed during the plan year and	• Standard market practice good and bad leaver provisions.

Term	Proposal	Rationale
	subject to the satisfaction of the performance conditions.	
Change of Control	• The value of participants' plan accounts will pay out on a change of control.	• The performance generating the value has already been delivered and therefore it is equitable that full payment of balances is made on a change of control.

Share Plan

The Share Plan has been designed to address the fact that no LTIP awards have been granted in 2011 or 2012 and in recognition of the performance levels which have been achieved over the past three years.

Under the LTIP, the policy has been to grant annual awards of 200% salary. On the basis that awards of a similar magnitude would have been granted in 2011 and 2012 were it not for corporate activity, an assumed expected payout of 55% would equate to a combined award of 210% salary. The proposed award level of 200% of salary for the Executive Directors acknowledges this. Further, a three year vesting period reflects an additional two year holding period from that of an award granted in 2011.

Terms of the Share Plan

The principal terms of the Share Plan are as follows:

Term	Proposal	Rationale
Eligibility	• Executive Directors and key value drivers will be granted awards.	• Awards will be granted to the Executive Directors and other key employees (as identified by the Board) who are responsible for executing the Company's strategy.
Structure	• The awards will be granted in the form of nil-cost options.	
Award levels	• Value of awards granted will be up to 200% salary for the Executive Directors and senior management. • The Committee will also retain the ability to grant awards of up to 200% salary (for initial awards this will be based on the the average of the closing share prices in the 30 day period prior to 1st January 2013 but not for subsequent awards) to future new joiners or upon an acquisition, if the circumstances require such an award to be made and where considered appropriate. Such awards will	• The Committee believes that the award levels are appropriate given: • No LTIP granted in 2011 or 2012, of which the normal award level would have been 200%; • The need to grant competitive award levels in order to attract and retain key talent in the dynamic market in which the Company operates; and • Strong levels of performance over the past three years. • To reflect the historic nature of this award and the lack of awards in

Term	Proposal	Rationale
	be subject to a five year vesting period and will not be granted to the existing Executive Directors and senior management during the operation of the MIP.	2011 and 2012 the share award will be calculated using the closing average share prices over the 30 day period prior to 1st January 2013. This is consistent with the forward looking absolute return target applying from the start of the 2013 financial year relating to the MIP.
Performance conditions	• Awards will be granted based on the satisfaction of pre-grant performance conditions.	• Awards will only be granted where sufficiently stretching strategic performance conditions have been achieved over the three year period prior to grant. • Vesting will not be subject to future performance conditions.
Dilution	• In conjunction with the MIP, there will be an overall limit on the number of new issue shares that can be used under the Share Plan and the MIP of 10% of the issued share capital in any ten year period (5% for executive plans).	• Adherence to standard ABI dilution limits.
Vesting period	• The awards granted to Executive Directors will be subject to a three year vesting period from 1st January 2013.	• A three year vesting period provides alignment with shareholders. It also acknowledges that, had LTIP awards been granted in 2011 and 2012, vesting would have occurred in 2014 and 2015. Effectively, a three year vesting period which ends in 2016 is five years from when awards would have been granted in 2011.
Vesting conditions	• Vesting subject to continued employment.	• Vesting is not subject to additional performance conditions over vesting period as performance measured prior to grant.
Termination of employment	• Where a participant's employment is terminated for a "good leaver" reason during the vesting period, outstanding awards will vest on a time pro-rata basis. "Bad leaver" awards will lapse in full.	• These provisions are in line with UK corporate governance principles.
Change of control	• On a change of control of the Company, the vesting of awards granted to participants will be accelerated.	• To ensure that participants still receive reward for value created for shareholders if there is a change of control.

Appendix 2
Terms of the MIP and Share Plan

Term	MIP	Share Plan
Operation	The Remuneration Committee, the members of which are non-executive directors, supervises the operation of the plans in respect of the executives of the Company.	
Eligible employees	Participation will be limited to the Executive Directors and key value drivers, as determined at the discretion of the Remuneration Committee. Non-executive directors are not eligible to participate in either plan.	
Grant and vesting of awards	Contributions under the MIP will be made after the Remuneration Committee has assessed performance of the Company over the financial year. This will normally be within three months of the year end date. The normal maximum level of contribution that can be made is 250% of salary. The vesting of awards will be subject to continued employment, satisfaction of the performance targets and any other terms or conditions determined at grant. Benefits received will not be pensionable.	Awards will be granted to each participant within a 42 day period following the date of publication of the annual results of the Company, the adoption of the Share Plan by shareholders, or such other period as may be determined by the Remuneration Committee in exceptional circumstances. The maximum face value of awards that can be granted is 200% of salary. The vesting of Awards will be subject to continued employment and any other terms or conditions determined at grant. Benefits received will not be pensionable.
Limits	The Company may use/issue 10% of its Shares within a ten year period to satisfy Awards to participants in the MIP, Share Plan or any share plan operated by the Company under which shares are issued (5% for executive plans). The Remuneration Committee will be monitoring the issue of shares during the ten year period. It should be noted that where the Company uses treasury shares (if applicable) to satisfy its obligations under share arrangements they shall be added to the number of shares issued for the purposes of this limit.	
Taxation	Taxes due on MIP payments will be operated through the standard PAYE system.	The vesting of Awards or exercise of Awards is conditional upon the participant paying any taxes due.
Duration	The MIP and Share Plan will operate for a period of ten years from the date of approval by shareholders. The Remuneration Committee may not grant awards under either plan after this date.	
Amendments	Amendments to the rules of the plans may be made at the discretion of the Remuneration Committee. However, the provisions governing eligibility requirements, equity dilution, share utilisation, individual participation limits and the adjustments that may be made following a rights issue or any other	

Term	MIP	Share Plan
	variation of capital together with the limitations on the number of shares that may be issued cannot be altered to the advantage of participants without prior shareholder approval. This requirement does not apply to minor amendments to benefit the administration of the plans, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the group. However, participants should be notified of any amendment which would materially detrimentally affect their existing rights and such amendments must be approved by the majority of participants notified. The Remuneration Committee may add to, vary or amend the rules of the plans by way of a separate schedule in order that the plans may operate to take account of local legislative and regulatory treatment for participants or the relevant group company, provided that the parameters of these arrangements will provide no greater benefits than the rules of the plans.	
Non-transferability of Awards	Awards are not transferable except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant or by will or the laws of descent and distribution.	

Note: This Appendix 2 summarises the main features of the MIP and Share Plan but does not form part of them and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the rules. Copies of the rules will be available for inspection at the Company's registered office during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the Chairman's letter up to and including the date of the GM and at the meeting itself from 15 minutes before the time of the GM.

The Directors reserve the right, up to the time of the meeting, to make such amendments and additions to the rules of the MIP and Share Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 2.