

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice from your stockbroker, solicitor, accountant or other professional adviser or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Mears Group PLC, please pass this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.



**Mears Group PLC**  
(incorporated and registered in England and Wales under number 3232863)

# **Notice of Annual General Meeting and Explanatory Circular to Shareholders 2019**

This document should be read as a whole. **Your attention is drawn to the letter from the Chairman of Mears Group PLC set out on pages 2 and 3 of this document which contains the recommendation by the Directors of the Company to shareholders to vote in favour of resolutions 1 to 20 and against resolutions 21 and 22 at the Annual General Meeting.**

Notice of the Annual General Meeting of Mears Group PLC to be held at the offices of Buchanan Communications, 107 Cheapside, London EC2V 6DN on Friday 31 May 2019 at 9:30am is set out at the end of this document. Shareholders will also find enclosed with this document a form of proxy for use in connection with the Annual General Meeting.

**Whether or not you propose to attend the Annual General Meeting, please complete and submit the form of proxy in accordance with the instructions printed on the enclosed form. The form of proxy must be received by Neville Registrars Limited no later than 9:30am on Wednesday 29 May 2019. CREST members who wish to appoint a proxy or proxies for the Annual General Meeting (and any adjournment(s) thereof) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual.**

# Letter from the chairman of Mears Group PLC

## (incorporated and registered in England and Wales under number 3232863)

### **Dear Shareholder**

I am pleased to invite you to the Company's Annual General Meeting which will be held at the offices of Buchanan Communications at 107 Cheapside, London EC2V 6DN on Friday 31 May 2019 at 9:30am.

The notice of the 2019 Annual General Meeting (the 'AGM') is set out on pages 4 and 5 of this document (the 'Notice'). A copy of the Annual Report and Accounts for the year ended 31 December 2018 (the '2018 Annual Report') is available at [www.mearsgroup.co.uk](http://www.mearsgroup.co.uk) and a form of proxy has been sent to you to enable you to exercise your voting rights.

The purpose of the AGM is to ask shareholders to consider and vote on the resolutions set out in the Notice (the 'Resolutions'). It is also an opportunity for shareholders to express their views and to ask questions of the Directors of the Company (the 'Board'). We, as your Board, are committed to open dialogue with our shareholders and our AGM is an excellent means to engage with you directly.

### **Shareholder Engagement**

Your Board and I believe that regular engagement with you, the Company's shareholders, throughout the year is important in order to understand any concerns and hear your ideas. I noted in Mears' full year results announcement, issued on 19 March 2019, that since becoming Chairman of the Board at the start of January 2019, I had held individual meetings with shareholders representing over two thirds of the Company's equity base by value. I have continued that dialogue with a number of shareholders who have expressed concerns about the Company's recent performance.

At the 2018 annual general meeting, significant votes were received against the resolutions to (i) re-elect Bob Holt, (ii) grant the Directors authority to allot ordinary shares and (iii) disapply pre-emption rights in relation to an acquisition or specified capital investment. As shareholders are aware, Bob Holt retired from the Board on 2 January 2019 as part of the Company's planned process of board evolution.

With regard to last year's resolutions on the authority to allot and the disapplication of pre-emption rights, the Board has consulted with shareholders and understands that some major shareholders voted against these resolutions as a matter of policy. Nonetheless, the Board believes it is appropriate to maintain the flexibility that these authorities provide.

Shareholders should note that the Board is following the guidelines issued by the Investment Association in respect of the authority to allot resolution and following the guidance set out in the Pre-emption Group's Statement of Principles. Other than in connection with the Company's share-based plans for senior management and employees, the Board has no present intention of exercising the authority to allot shares and the Board has no present intention of exercising the authority under either of the disapplication of pre-emption rights resolutions.

### **Proposals for Additional Directors**

As part of my dialogue with shareholders, a number of observations have been made to me about how the skills and capabilities of the current Board could be strengthened and enhanced in the light of developments in the business. I acknowledged these views in Mears' full year results announcement when I made it clear the balance within the Mears boardroom would be kept under review to ensure the Company has the effective leadership it needs. The Board has considered this matter in detail in recent months and believes that there are certain additional skills and experiences which the Board would benefit from, particularly regarding oversight of, and input into, finance, investor relations and commercial operations. These are important appointments for the Company and your Board believes they should be made only after an appropriate search for the best candidates has been undertaken and the available candidates have been properly considered by the Nominations Committee. Such an approach only accords with the best standards of corporate governance.

Consequently, at separate Board meetings earlier this year, we approved proposals to seek to appoint two additional non-executive directors. It is anticipated that one will have strong finance skills, preferably gained as the finance director of a UK listed company, and a good understanding of effective investor relations with the UK investor community. The other additional non-executive director would have strong commercial and senior general management experience and they would likely be a current chief executive or to have recently held such a role. They might have knowledge of and relationships with the investor community, but, more importantly, they would bring an excellent understanding of the drivers of commercial success and the delivery of growth in a business enterprise. Preferably both will have experience in businesses sharing similarities with Mears. Executive search firms were appointed with a remit to find candidates who possess the skills set out above and the Nominations Committee will continue to work with them over the coming weeks to meet and assess potential candidates. It is the Board's intention that one appointment be made by the end of June and the other before the summer holidays if possible.

Given the previous dialogue with our larger shareholders on this matter and this ongoing recruitment process, it is with regret that the Board notes that PrimeStone Capital Irish Holdco DAC ('PrimeStone'), a shareholder in the Company holding approximately 13.5% of the issued share capital, despite regular discussions with the Board and its advisers, has requisitioned two resolutions at the AGM to appoint additional directors (the 'PrimeStone Resolutions') before this process could be properly completed. The PrimeStone Resolutions are set out in resolutions 21 and 22. PrimeStone have also requested that their statement accompanying their requisition be circulated and this is set out in Appendix 2 of this Notice.

The Board's response and recommendation with regard to this requisition and PrimeStone's statement is set out below.

### **Board's response to the Requisition Statement**

Your Board acknowledges that shareholders are concerned about the recent trading performance and the current share price. As I stated in Mears' full year results announcement, the Board is working closely with the executive management team to address this and has already taken a number of steps to refocus the Group's business and its capital allocation, thereby reducing its net debt levels progressively over the next two years. Moreover, these actions have been discussed with our larger shareholders in recent weeks. Alongside these actions, as set out above, the Board recognises the need to strengthen its composition in certain key areas and has sought to move promptly to do so.

The Board firmly believes that any process to identify potential new non-executive directors should be conducted by the Nominations Committee of the Board after an appropriate external search open to a broad range of candidates followed by a diligent review process. Not only is this in accordance with corporate governance best practice but the Board also believes that the Group's customers and other stakeholders would expect Mears to conduct its affairs in this manner.

### **Directors and Proposed Directors**

Biographical details and membership of the principal Board committees of the Directors seeking election and re-election pursuant to resolutions 6 to 15 are detailed in full in the 2018 Annual Report on pages 66 and 67. Information on the Directors proposed by PrimeStone to be elected pursuant to resolutions 21 and 22 are set out at the end of PrimeStone's requisition statement in Appendix 2. Information on the remuneration of Directors is set out in the Directors' Remuneration Report for the year ended 31 December 2018 (which is contained in pages 88 to 93 of the 2018 Annual Report).

### **Action to be taken**

**If you cannot attend, you have the right to appoint a proxy to vote at the AGM on your behalf. To appoint a proxy, please complete the enclosed form of proxy and send it to our registrar, Neville Registrars Limited. CREST members who wish to appoint a proxy or proxies for the AGM (and any adjournment(s) thereof) through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual.**

**Proxy appointments must be received by Neville Registrars Limited no later than 9:30am on Wednesday 29 May 2019.**

### **Recommendation and Voting**

Your Board believes that resolutions 1 to 20 (inclusive) to be proposed at the meeting are in the best interests of the Company and its shareholders as a whole and, accordingly, **unanimously recommends that shareholders vote IN FAVOUR of resolutions 1 to 20 (inclusive)**, as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

For the reasons set out in this letter, your Board believes that resolutions 21 and 22 are not in the best interests of the Company and its shareholders as a whole. Therefore your Board unanimously **recommends that you vote AGAINST resolutions 21 and 22**, as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

As with last year, and in line with best corporate governance, voting on the Resolutions will be conducted by way of a poll. The Company considers a poll is more representative of shareholders' voting intentions because votes are counted according to the number of shares held and all votes tendered are taken into account.

The results of voting on all of the Resolutions will be announced via the Regulatory News Service and published on the Company's website as soon as possible after the end of the AGM.

Further information about the AGM is set out on the following pages.

Yours faithfully

**K Murphy**  
Chairman  
3 May 2019

# Notice of Annual General Meeting 2019

## Mears Group PLC

Notice is hereby given that the Annual General Meeting of Mears Group PLC (the 'Company') will be held at the offices of Buchanan, 107 Cheapside, London EC2V 6DN on Friday 31 May 2019 at 9:30am to consider and, if thought fit, pass the following:

- Resolution 1. THAT the audited accounts for the year ended 31 December 2018, together with the Directors' and Auditor's Reports thereon, be received and adopted.
- Resolution 2. THAT the annual report on remuneration, contained on pages 88 to 93 of the Annual Report and Accounts for the financial year ended 31 December 2018, be approved.
- Resolution 3. THAT Grant Thornton UK LLP be re-appointed as auditor of the Company.
- Resolution 4. THAT the Directors be authorised to fix the remuneration of the auditor.
- Resolution 5. THAT a final dividend of 8.85p per ordinary share for the year ended 31 December 2018 be declared payable on 4 July 2019 to all members whose names appear on the Company's register of members as at 14 June 2019.
- Resolution 6. THAT Kieran Murphy be elected as a Director.
- Resolution 7. THAT David Miles be re-elected as a Director.
- Resolution 8. THAT Andrew Smith be re-elected as a Director.
- Resolution 9. THAT Alan Long be re-elected as a Director.
- Resolution 10. THAT Geraint Davies be re-elected as a Director.
- Resolution 11. THAT Julia Unwin be re-elected as a Director.
- Resolution 12. THAT Roy Irwin be re-elected as a Director.
- Resolution 13. THAT Jason Burt be re-elected as a Director.
- Resolution 14. THAT Elizabeth Corrado be re-elected as a Director.
- Resolution 15. THAT Amanda Hillerby be re-elected as a Director.
- Resolution 16. THAT the rules of the Mears Group PLC Savings Related Share Option Scheme (the "SAYE Scheme"), the principal terms of which are summarised in the Appendix to this Notice of Meeting, be and are hereby approved and that the Directors be and are hereby authorised to do all acts and things which they may consider necessary or expedient to carry the SAYE Scheme into effect.
- Resolution 17. THAT the Board be and is hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company and to grant such subscription and conversion rights as are contemplated by Sections 551(a) and (b) of the Act respectively ('Rights'):
  - (a) up to an initial aggregate nominal amount of £368,301; and
  - (b) up to a further aggregate nominal amount of £368,301 but only in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by them,

provided that this authority shall expire on the date of the next annual general meeting of the Company, or, if earlier, at 6:00pm on 28 August 2020, after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Board may allot shares or grant Rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

(Resolutions 1 to 17 inclusive will be proposed as ordinary resolutions.)

Resolution 18. THAT, subject to the passing of Resolution 17, the Board be and is hereby authorised, pursuant to Section 570 of the Act, to allot equity securities (within the meaning of Section 560 of the Act) for cash under the authority given by Resolution 17 as if sub-section (1) of Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the Register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatever; and
- (b) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £55,245, such authority to expire on the date of the next annual general meeting of the Company, or, if earlier, 6:00pm on 28 August 2020, 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 an offer or agreement as if the authority conferred hereby had not expired.

Resolution 19. THAT, subject to the passing of Resolution 17, the Board be and is hereby authorised, pursuant to Section 570 of the Act and in addition to any authority granted under Resolution 18, to allot equity securities (within the meaning of Section 560 of the Act) for cash under the authority given by Resolution 17 as if sub-section (1) of Section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- (a) up to an aggregate nominal amount of £55,245; and
- (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice, such authority to expire on the date of the next annual general meeting of the Company, or, if earlier, 6:00pm on 28 August 2020, 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 an offer or agreement as if the authority conferred hereby had not expired.

Resolution 20. THAT the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than an annual general meeting) on 14 clear days' notice from the date of the passing of this resolution, such authority expiring at the conclusion of the next annual general meeting of the Company.

(Resolutions 18 to 20 inclusive will be proposed as special resolutions.)

Resolution 21. THAT Andrew Coppel be and is hereby appointed as an additional director of the Company (and that the maximum number of directors of the Company be increased to the extent necessary for such purposes.)

Resolution 22. THAT Ian Lawson be and is hereby appointed as an additional director of the Company (and that the maximum number of directors of the Company be increased to the extent necessary for such purposes.)

(Resolutions 21 and 22 inclusive will be proposed as ordinary resolutions.)

By order of the Board

**B R Westran**  
Secretary  
3 May 2019

1390 Montpellier Court  
Gloucester Business Park  
Brockworth  
Gloucester GL3 4AH

# Notice of Annual General Meeting 2019 continued

## Mears Group PLC

### Explanatory notes to the resolutions

#### **Resolution 1**

The Directors are required by law to present to the meeting the audited accounts and the Directors' and the Auditor's Reports for the year ended 31 December 2018.

#### **Resolution 2**

In accordance with Section 439 of the Companies Act 2006 (the 'Act'), the Company is required to seek the approval of shareholders for its annual report on remuneration. This report gives details of the Directors' remuneration for the financial year ended 31 December 2018 and is set out in full on pages 88 to 93 of the 2018 Annual Report. The vote on the annual report on remuneration is advisory in nature.

The Directors' Remuneration Policy was approved by shareholders at the 2017 AGM and is set out on pages 82 to 87 of the 2018 Annual Report.

#### **Resolution 3 and 4**

The auditor is required to be re-appointed at each AGM at which accounts are presented. The current appointment of Grant Thornton UK LLP as auditor will end at the conclusion of the AGM. The Directors, on the recommendation of the Audit Committee (which has evaluated the effectiveness and independence of the external auditor), are proposing the re-appointment of Grant Thornton UK LLP. The Company's most recent competitive tender process took place in 2018.

It is normal practice for a company's directors to be authorised to agree how much the auditors should be paid, and Resolution 4 grants this authority to the Directors.

#### **Resolution 5**

Final dividends must be approved by shareholders but must not exceed the amount recommended by Directors. If the meeting approves Resolution 5, the final dividend in respect of 2018 of 8.85p per share will be paid on 4 July 2019 to ordinary shareholders who are on the Register of Members on 14 June 2019 in respect of each ordinary share.

#### **Resolutions 6 to 15**

In accordance with the UK Corporate Governance Code, all of the Directors will seek re-election at the AGM. Kieran Murphy was appointed to the Board in January 2019 and seeks election at the AGM. Each Director will be proposed for election or re-election by a separate resolution.

Collectively, the Non-Executive Directors possess a wide range of financial, healthcare and health and safety expertise, and they provide active contributions to board discussions. In terms of the Executive Directors, David Miles' experience of the industry and his tenure as CEO of Mears, Andrew Smith's wealth of financial experience and Alan Long's marketing experience are valuable to the Board and the long-term success of the Company. Finally, Amanda Hillerby, as Employee Director, plays the important role of assisting the Board to understand the views of the wider workforce. Further details of the experience of each of the Directors seeking election or re-election, as applicable, are set out in their biographies on pages 66 and 67 of the 2018 Annual Report.

The Board is satisfied that all of the Non-Executive Directors are independent in character and there are no relationships or circumstances that are likely to affect their independence. The performance of the Board as a whole, as well as the contribution made by individual Directors, has been reviewed during the course of the year. After considering this evaluation, and the combined expertise

and experience of the Directors, the Chairman has confirmed that the performance of every Director continues to be effective, that they continue to demonstrate commitment to their respective roles, that their respective skills complement one another to enhance the overall operation of the Board and that their contribution is, and continues to be, important to the Company's long-term sustainable success.

#### **Resolution 16**

The SAYE Scheme was originally adopted by the Company in 2008 and under its terms the Company has been able to offer employees within the Group the chance to participate in a tax-advantaged savings-related share option plan. Institutional shareholder guidelines require companies to seek shareholder approval of incentive schemes at least every ten years. Accordingly, the rules of the SAYE Scheme currently provide that options may not be granted later than 2018. The Directors continue to believe that savings-related share options provide an important means of enabling employees throughout the Group to share in the future success of the Company. It is therefore proposed that shareholders be asked to approve the renewal of the SAYE Scheme by permitting options to be granted under it for a further ten years. The rules of the SAYE Scheme produced to the meeting are based on those adopted by the Company in 2008 but updated to reflect changes in legislation and market practice since the existing scheme was first adopted and last amended. A summary of the principal terms of the SAYE Scheme is set out in the Appendix to this Notice of Meeting and any material amendments have been highlighted for ease of reference.

#### **Resolution 17**

The authority sought by this resolution is for the Directors to be authorised to allot ordinary shares comprising up to a total aggregate nominal amount of £736,602. This represents approximately two thirds of the issued share capital. This is within the guidelines issued by the Investment Association in that it is considered routine and standard practice for a listed company to seek authorisation to allot up to two thirds of its existing issued share capital. However, the additional one third may only be applied to fully pre-emptive rights issues and the authorisation must only be valid until the next annual general meeting. The Directors will therefore be seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing its capital resources. This authority will expire at the next annual general meeting, or, if earlier, at 6.00pm on 28 August 2020.

Other than in connection with the Company's share-based plans for senior management and employees, the Directors have no present intention of exercising this authority. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. It is intended to renew this authority at successive annual general meetings.

As at 1 May 2019 (being the latest practicable date prior to the posting of this Notice), no shares are held by the Company in treasury.

#### **Resolutions 18 and 19**

When shares are to be allotted for cash, Section 561 of the Act provides that existing shareholders have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. There may be occasions, however, when the Board needs the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emptive offer. Resolutions 18 and 19 would give the Directors that authority.

The authority under Resolution 18 would be limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board considers necessary; and (b) allotments or sales (otherwise than pursuant to (a)) up to an aggregate nominal amount of £55,245, which represents approximately 5% of the Company's issued ordinary share capital as at 1 May 2019 (being the latest practicable date prior to the publication of this Notice).

Resolution 19 would give the Board authority to allot a further 5% of the issued ordinary share capital of the Company as at 1 May 2019 (being the latest practicable date prior to the publication of this Notice) for the purposes of financing a transaction which the Board determines to be an acquisition or other capital investment contemplated by the Pre-emption Group's Statement of Principles published in March 2015 (the 'Pre-emption Principles').

The disapplication authorities under Resolutions 18 and 19 are in line with the authority sought at the annual general meeting last year and the guidance set out in the Pre-emption Principles. The Pre-emption Principles allow a board to allot shares for cash otherwise than in connection with a pre-emptive offer (i) up to 5% of a company's issued share capital for use on an unrestricted basis and (ii) up to a further 5% of a company's issued share capital for use in connection with an acquisition or specified capital investment announced either contemporaneously with the issue, or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

In accordance with the Pre-emption Principles, the Directors confirm that they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three year period (save in accordance with Resolution 19) without prior consultation with shareholders.

The Directors have no present intention of exercising this authority. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. It is intended to renew these authorities at successive annual general meetings.

The authorities contained in Resolutions 18 and 19 will expire at the next annual general meeting, or, if earlier, at 6.00pm on 28 August 2020.

### **Resolution 20**

Section 307A of the Act provides that listed companies must hold general meetings (other than annual general meetings) on 21 days' notice unless the members of that company pass a special resolution agreeing to a shorter notice period which cannot be any less than 14 clear days. It is therefore necessary for the Company to pass this resolution allowing the Company to continue to hold general meetings (other than annual general meetings) on not less than 14 clear days' notice.

The Directors confirm that the shorter notice period would not be used as a matter of routine, but only where flexibility is merited by the business of the meeting, the proposals are time-sensitive and it is thought to be to the advantage of shareholders as a whole. The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed.

### **Resolutions 21 and 22**

On 25 April 2019 the Company received a request from PrimeStone Capital Irish Holdco DAC ('PrimeStone'), the holder of approximately 13.5% of the paid up share capital of the Company, to include resolutions to appoint Andrew Coppel and Ian Lawson as additional directors of the Company.

The supporting statement from PrimeStone regarding these resolutions is set out in Appendix 2.

For the reasons set out in the letter from the Chairman, the Board unanimously believes these Resolutions are not in the best interests of the Company and recommends that shareholders vote **against** resolutions 21 and 22.

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## **Notes**

### **Proxy Appointments**

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 AGM and you should have received a Form of Proxy with this Notice of AGM. 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 AGM and voting in person. If you have appointed a proxy and attend the AGM in person, your proxy appointment will automatically be terminated.
2. A proxy does not need to be a member of the Company but must attend the AGM to represent you. If you wish your proxy to speak on your behalf at the AGM you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. 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, Steelpark Road, Halesowen, West Midlands B62 8HD; and (iii) received by the Company's registrars no later than 48 hours before the appointed time of the AGM.
4. 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.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM 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.
6. 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, must contain the information required for such instructions, as described in the CREST Manual and must be transmitted so as to be received by the Company's agent, Neville Registrars Limited (ID: 7RA11) by 9.30 am on 29 May 2019. 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.

# Notice of Annual General Meeting 2019 continued

## Mears Group PLC

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](http://www.euroclear.com)).

### **Entitlement to attend and vote**

7. 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 29 May 2019 shall be entitled to attend and vote at the AGM 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 AGM.

### **Documents on display**

8. 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 AGM and for 15 minutes prior to and during the AGM, the following:
  - (a) copies of the Non-Executive Directors' letters of appointment; and
  - (b) the rules of the SAYE Scheme (together with a redline showing the proposed changes to the 2008 version).

### **Other information**

9. Information regarding the meeting, including a copy of this Notice and the information required by Section 311A of the Companies Act 2006 (the 'Act'), is available from [www.mearsgroup.co.uk](http://www.mearsgroup.co.uk).

### **Information rights**

10. Under the Act, there are a number of rights that may be available to indirect investors of Mears Group PLC, including the right to be nominated by the registered holder to receive general shareholder communications direct from the Company.
11. The rights of indirect investors who have been nominated to receive communications from the Company in accordance with Section 146 of the Act (nominated persons) do not include the right to appoint a proxy. However, nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
12. If you have been so nominated to receive general shareholder communications direct from Mears Group PLC, it is important to remember that your main contact in terms of your investment remains with the registered shareholder or custodian or broker, or whoever administers the investment on your behalf. You should also deal with them in relation to any rights that you may have under agreements with them to be appointed as a proxy and to attend, participate in, and vote at the meeting, as described above.

13. Any changes or queries relating to your personal details and holding (including any administration thereof) must continue to be directed to your existing contact at your investment manager or custodian. Mears Group PLC cannot guarantee dealing with matters that are directed to us in error. The only exception to this is where Mears Group PLC is exercising one of its powers under the Act and writes to you directly for a response.

### **Right to ask questions**

14. Under section 319A of the Act, any member attending the AGM has the right to ask questions at the AGM relating to the business of the AGM. The Company must cause to be answered any such question relating to the business being dealt with at the AGM but no such answer need be given if (a) to do so would interfere unduly with the preparation for the AGM 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 AGM that the question be answered.
15. Please keep your questions and statements short and relevant to the business of the AGM to allow everyone who wishes to speak the chance to do so. It would be helpful if you could state your name before you ask your question. The Chairman may nominate a representative to answer a specific question after the AGM or refer the question to the Company's website.

### **Statements related to the audit**

16. Members satisfying the thresholds in Section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to: (i) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the meeting; or (ii) any circumstances connected with an auditor of the Company ceasing to hold office since the last AGM that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses in connection with the publication. The Company must forward a copy of the statement to the auditor when it publishes the statement on the website. The business which may be dealt with at the meeting includes any such statement that the Company has been required to publish on its website.

### **Total voting rights and share capital**

17. As at 6.00pm on 1 May 2019 (being the latest practicable date prior to the printing of this Notice) the Company's issued share capital consists of 110,490,459 ordinary shares of 1p, carrying one vote each. Therefore, the total voting rights in the Company as at 1 May 2019 are 110,490,459.
18. Updates to this number are released via the Regulatory News Service on the last trading day of each month and can be viewed online at [www.mearsgroup.co.uk](http://www.mearsgroup.co.uk).

## Appendix 1

### The Mears Group PLC Savings Related Share Option Scheme (the “SAYE Scheme”)

The SAYE Scheme is designed to qualify as a savings-related share option scheme under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003 (“**ITEPA**”) in order to benefit from tax advantaged treatment. It was originally adopted by the Company in 2008 for a period of ten years. It is now proposed that shareholders approve the renewal of the SAYE Scheme by permitting options to be granted under it for a further ten years.

The Company must self-certify that the provisions of Schedule 3 to ITEPA have been met and it must register the SAYE Scheme online with HM Revenue & Customs (“**HMRC**”). The prior approval of HMRC is no longer required and non-material amendments have been made to the rules of the SAYE Scheme to take account of this change. Otherwise, the rules of the SAYE Scheme remain largely unchanged from those originally approved by the Company in 2008. For ease of reference, below is a summary of the rules of SAYE Scheme. A redline copy of the rules of SAYE Scheme showing the proposed changes to the 2008 version is also available for inspection.

#### **Administration**

The Board or a duly authorised committee shall administer the SAYE Scheme.

#### **Eligibility**

To be eligible to participate in the SAYE Scheme an individual must be an employee or full-time director of the Company or a participating subsidiary of the Company who is liable to UK income tax and must have been such an employee or full-time director for such period of time (not exceeding five years) as may be determined by the Board. An individual is a full-time director if he is obliged to devote not less than 25 hours per week to his duties with the company concerned. The Board has a discretion to nominate employees who do not satisfy the above conditions to participate in the SAYE Scheme. The Board can also decide which subsidiaries participate in the SAYE Scheme.

#### **Grant of Options**

The Board may invite all eligible employees to apply for options during the 42 day period beginning on the dealing day following the date on which the Company announces its results for any period, or following the date on which the company holds its annual general meeting, or at any time when the Board considers that there are exceptional circumstances justifying the issue of invitations.

No options may be granted more than ten years after the date on which the SAYE Scheme is approved by shareholders. Options granted under the SAYE Scheme are personal to the optionholder and, except on the death of the optionholder, may not be transferred. Options granted under the SAYE Scheme are not pensionable.

#### **Savings Contract**

An eligible employee who applies for an option under the SAYE Scheme must also enter into a savings-related contract approved by HMRC for a specified period of either three or five years. The Board has a discretion to determine which of the savings contracts will be available in respect of any invitation to apply for options. Under this contract, the employee will make monthly savings contributions of a fixed amount which may not exceed the statutory maximum (currently £500 per month). Shares may only be acquired under the SAYE Scheme on the exercise of the option using the payments under this contract. Payment will be taken as including any interest payable under the savings contract (known as a ‘bonus’), unless otherwise decided by the Board.

#### **Price**

The Board shall determine the price payable for each share under option provided that it shall not be less than the higher of:

- (a) 80% of the market value of a share on the day immediately preceding the date on which invitations are issued (or such other date as is specified in the invitation); and
- (b) the nominal value of a share, if the option relates to new issue shares.

#### **Dilution Limits**

The number of shares which may be issued on the exercise of options in any period of ten years under the SAYE Scheme (when added to the number of shares which may be issued on the exercise of options or awards granted under all of the Company’s employee share schemes) may not exceed 10 per cent. of the Company’s ordinary share capital in issue on the date of grant of such options. (For the avoidance of doubt, this dilution limit has remained unchanged since the SAYE Scheme was originally adopted in 2008).

Market purchased shares which are transferred from a trust to satisfy options under the SAYE Scheme do not count towards this limit.

However, shares transferred out of treasury to satisfy options under the SAYE Scheme shall be treated as issued for the purposes of the limit to the extent that they are required to be so treated under institutional shareholder guidelines.

#### **Scaling Down**

Applications to participate in the SAYE Scheme may be scaled down by the Board if applications exceed the number of shares available for the grant of options. Such scaling down may include (a) restricting the level of bonus to be used to acquire shares, (b) reducing monthly contributions above a certain level pro-rata or (c) reducing the length of the savings contract.

#### **Exercise of Options**

An option granted may not normally be exercised until the optionholder has completed his savings contract (which will usually be three or five years from the date of commencement of the savings contract) and then not more than six months thereafter. Within 30 days after an option has been exercised by an optionholder, the Board shall allot or procure the transfer to him of the number of shares in respect of which the option has been exercised. Ordinary shares issued or transferred on the exercise of options will rank equally with existing ordinary shares except for any rights attaching to the shares by reference to a record date before the date of allotment (in the case of new issue shares) or transfer (in the case of existing shares).

Special provisions allow early exercise in the case of death, injury, disability, redundancy or retirement or because the company or business which employs the optionholder is transferred out of the Group (although there is no longer a specified retirement age for the purposes of retirement because Schedule 3 to ITEPA no longer requires one). If an option holder ceases employment for any other reason, his option will lapse.

Special provisions also allow early exercise in the event of a change of control, reconstruction or winding-up of the Company. In all cases, options may only be exercised to the maximum extent possible under the savings contract. Internal reorganisations may not automatically trigger the early exercise of options.

## Appendix 1 continued

### The Mears Group PLC Savings Related Share Option Scheme (the “SAYE Scheme”)

#### **Exchange of Options on Change of Control**

If any company obtains control of the Company as a result of a takeover offer or the sanctioning of a scheme of arrangement under sections 895 to 899 of the Companies Act 2006 or if a company has become bound or entitled to acquire all the ordinary shares under sections 979 to 982 or 983 to 985 of that Act, an optionholder may, by agreement with that other company, seek the release of his options in return for the grant of equivalent options over shares in that other company.

#### **Variation of Capital**

In the event of an increase or variation of the share capital of the Company, the Board may make such adjustments as it considers appropriate to the number of shares under option and the price at which they may be acquired. In each case, the total market value of the shares that may be acquired and the total exercise price payable in respect of an option must be substantially the same after the variation as it was before. If the exercise price would otherwise fall below the nominal value, the Company may capitalise reserves to the extent it is lawful to pay up additional shares for allotment to optionholders.

#### **Amendments**

The SAYE Scheme may be amended by the Board in any way provided that the prior approval of the Company in general meeting is required for an amendment to the material advantage of optionholders to the provisions relating to eligibility, the maximum amount of savings, the determination of the exercise price, the dilution limit on the number of shares that may be issued under the SAYE Scheme, leavers, takeover, reconstruction and winding-up of the Company and variations of capital.

Minor amendment to benefit the administration of the SAYE Scheme to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for an option holder or any member of the group do not require the approval of the Company in general meeting. The Board may also modify the SAYE Scheme to take account of overseas legal, taxation or securities laws (if applicable) by adopting separate schedules to the SAYE Scheme without the approval of the Company in general meeting.

Any amendment that is to the disadvantage of the optionholders requires the consent of a 75 per cent. majority of them.

## Appendix 2

# STATEMENT TO THE SHAREHOLDERS OF MEARS GROUP PLC WITH RESPECT TO THE MATTERS TO BE DEALT WITH AT THE FORTHCOMING ANNUAL GENERAL MEETING)

Supporting statement regarding proposals by PrimeStone Capital Irish Holdco DAC ("PrimeStone" or "we") for the Annual General Meeting of Mears Group PLC ("Mears" or the "Company")

### **Background to proposals**

PrimeStone is the largest shareholder in Mears with c.13.5% of the issued share capital and has been a shareholder since July 2016.

PrimeStone has requisitioned resolutions to add Andrew Coppel and Ian Lawson as directors of Mears, each being independent and talented candidates with strong financial and commercial skills to complement the existing Board.

We request your support by voting in favour of these resolutions to help strengthen Mears for a brighter future.

### **Mears is the market leader in an attractive industry**

Mears' core division of Housing Maintenance is a strong business with defensive revenues and a stable margin. The Company offers clients a cost advantage when compared to insourcing and also delivers an excellent quality of service to its customers. Mears enjoys long-term, exclusive contracts and a leading market share (15%), 3x its closest competitor.

The expansion into Housing Management is an exciting opportunity for both customers and shareholders. This segment provides longer-term contracts with the potential for higher margins as there are increased scale benefits.

Mears benefits from attractive growth prospects as demand and financing for social housing are strong, and competition has shrunk.

### **Financial performance has fallen short of investors' expectations for many years and Mears' shares have declined accordingly**

Over the last five years the Company's revenues and profit have remained flat despite its strong market position and growth prospects. Cash conversion over the same period has steadily declined from over 90% to 3% in 2018. As a result, average net debt has doubled.

Mears' financial communication has been unsatisfactory. 11 profit warnings in the last five years have resulted in the market losing confidence in the Company's ability to forecast and no longer giving the Company the credit it deserves for good news.

The result for shareholders has been a share price that has declined significantly over the last two years, with Mears' shares now left trading well below their intrinsic value at a seven-year low. Total Shareholder Return over 1 year, 2 years and 5 years has been (24%), (51%) and (47%), respectively.

### **Board skill-set needs to be complemented to make Mears better and grasp the numerous opportunities that lie ahead**

PrimeStone believes that Mears' underperformance is predominantly due to a lack of strategic, commercial and financial experience on the Board.

The current Board has a strong concentration of Directors with a background in social housing, health & safety and charities. These skills are important but as evidenced by the company's results, they are insufficient to restore Mears' performance and take full advantage of its significant growth prospects. These skills must be complemented with strong strategic, commercial and financial skills to ensure optimal business decision-making, allocation of capital and cash management.

Following the aforementioned decline in the share price and following numerous discussions with management and the Board, PrimeStone hired an executive search firm to run a professional process to identify two independent non-executive directors with UK public company backgrounds (as Chairman, CEO, CFO or NED), strong financial capabilities (focusing on cash flow and capital allocation), experience of operational improvement and relevant sector knowledge.

PrimeStone strongly believes that the two talented candidates identified and nominated following a thorough process will significantly strengthen the current Board and help Mears flourish again.

### **Conclusion**

Mears has an exciting future but only if significant changes occur; a reinforced Board is critical to this. The two experienced individuals whom we are nominating will help Mears prosper again for the benefit of all shareholders, customers and employees.

We request and hope you will vote for these candidates whose professional biographies are below. Thank you.

### **Andrew Coppel, CBE (68)**

Andrew has over 30 years' experience as a Chairman, CEO, CFO and as well as a Non-executive Director. Since 2016 he has been Chairman of Dolphin Capital Investors plc. Prior to this role, Andrew was CEO of De Vere Group (2011 – 2015), having joined as Executive Chairman in March 2010. Andrew was Chairman and CEO of McCambridge Group from 2008 – 2009 and CEO of Jockey Club Racecourses from 2004 to 2007. In 1993, he joined Queens Moat Houses, where he was group CEO until 2003. From 1990 to 1993 he was Chairman and CEO of Sale Tilney. In a non-executive capacity, he was the first Chair of Tourism Ireland for seven years (2001-2007), Chair of London Irish Rugby Football Club (2008-2011) and a Non-executive Director of Crest Nicholson (2009-2011). He also sat on Lloyds Bank's Advisory Board on Ireland. Andrew was awarded a CBE in 2009 for services to Irish tourism. Andrew is a law graduate and a chartered accountant.

### **Ian Lawson (61)**

Ian was CEO of Severfield plc from 2013 to 2018, having previously been a Board Director of Kier Group plc, where he enjoyed a 13-year career. He was first appointed to the Board of Kier as Executive Director in 2005 with responsibility initially for its Services division (which is a competitor of Mears) and later he also assumed responsibility for its Property division. Prior to this Ian had a successful career at Bickerton Group plc where he was Managing Director. Ian is a fellow of both The Royal Institute of Chartered Surveyors (FRICS) and the Chartered Institute of Building (FCIOB).

### **About PrimeStone**

PrimeStone is a London-based, long-term investor in Western European mid-cap public equities, founded by three former partners from The Carlyle Group. PrimeStone takes substantial minority stakes in listed companies that it believes have significant potential for value creation. PrimeStone has long term capital from families and foundations. PrimeStone owns or controls as at 24th April 2019, 14,903,278 shares or c. 13.5% of the issued share capital of Mears.



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