

Chemring Group PLC

# Notice of Annual General Meeting

20 March 2014

Chemring  
Group |

**This document is important and requires your immediate attention.**

If you are in any doubt about its contents you should consult your independent financial adviser. If you have sold or transferred all of your Chemring Group PLC ordinary shares you should send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# Notice of Annual General Meeting

**Notice is hereby given that the 108th Annual General Meeting of the shareholders will be held at 11.30am on Thursday 20 March 2014 at Holborn Bars, 138-142 Holborn, London EC1N 2HG for the purpose of considering and, if approved, passing the following resolutions:**

## Ordinary resolutions

1. To receive and adopt the Company's annual accounts for the year ended 31 October 2013, together with the directors' report and the auditor's report on those accounts.
2. To receive and approve the directors' remuneration policy, as set out on pages 65 to 73 of the directors' remuneration report contained within the Company's annual report and accounts for the year ended 31 October 2013, such directors' remuneration policy to take effect immediately after the end of the Annual General Meeting on 20 March 2014.
3. To receive and approve the directors' remuneration report (other than the part containing the directors' remuneration policy) contained within the Company's annual report and accounts for the year ended 31 October 2013.
4. To approve the payment of a final dividend of 3.8p per ordinary share for the year ended 31 October 2013, to be paid on 9 May 2014 to shareholders on the register at the close of business on 22 April 2014.
5. To re-appoint Mr Andy Hamment, who retires under the provisions of Article 87.1 of the Company's Articles of Association.
6. To re-appoint Mr Nigel Young, who retires under the provisions of Article 87.1 of the Company's Articles of Association.
7. To re-elect Mr Peter Hickson as a director.
8. To re-elect Mr Steve Bowers as a director.
9. To re-elect Mrs Sarah Ellard as a director.
10. To re-elect Mr Ian Much as a director.
11. To re-elect Mrs Vanda Murray as a director.
12. To re-elect Mr Mark Papworth as a director.
13. To re-appoint Deloitte LLP as the Company's auditors, to hold office from the conclusion of the Annual General Meeting on 20 March 2014 until the conclusion of the next meeting at which accounts are laid before the Company.
14. To authorise the directors to agree the remuneration of the auditors.
15. That the Board be and is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for, or convert any securities into, shares in the Company up to an aggregate nominal amount of £644,323, provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 20 June 2015 (whichever is the earlier), save that the Company may before the expiry of this authority make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after such expiry and the Board may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

## Special resolutions

16. That subject to resolution 15 being passed, the Board be and is hereby generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash:
  - (a) pursuant to section 570 of the Act and the authority conferred by resolution 14; and/or
  - (b) pursuant to section 573 of the Act, where the allotment is an allotment of equity securities by virtue of section 560(2)(b) of the Act;

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

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

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
  - (y) to the allotment of equity securities (otherwise than pursuant to paragraph (x) of this resolution) up to an aggregate nominal value of £96,648;

# Notice of Annual General Meeting

and (unless previously revoked, varied or reviewed) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 20 June 2015 (whichever is the earlier), save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

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

- (a) the maximum aggregate number of Shares which may be purchased is 19,329,711 (representing approximately 10 per cent of the issued ordinary share capital at 12 February 2014 (exclusive of treasury shares));
- (b) the minimum price (exclusive of expenses) which may be paid for a Share is the nominal value thereof;
- (c) the maximum price (exclusive of expenses) which may be paid for a Share is the higher of:
  - (i) an amount equal to 105 per cent of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange plc for the five business days immediately preceding the day on which such Share is contracted to be purchased; and
  - (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share on the trading venue where the purchase is carried out,

and (unless previously renewed, revoked or varied), this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 20 June 2015 (whichever is the earlier), save that the Company may make a contract to purchase Shares which would or might be executed wholly or partly after the expiry of this authority, and may make purchases of Shares pursuant to it as if this authority had not expired.

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

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

By order of the Board

**Sarah Ellard**  
**Group Legal Director & Company Secretary**  
 12 February 2014

Chemring House  
 1500 Parkway  
 Whiteley  
 Fareham  
 Hampshire  
 PO15 7AF

# Notes on resolutions

## Resolution 1

The directors are required to present to the meeting the audited accounts and the reports of the directors and the auditor for the financial year ended 31 October 2013.

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

## Resolutions 2 and 3

New requirements were introduced in 2013 in relation to the content and approval of the directors' remuneration report.

In accordance with the new provisions of the Companies Act 2006 (the "Act"), the directors' remuneration report in the 2013 annual report contains:

- a statement by Ian Much, the Chairman of the Remuneration Committee;
- the directors' remuneration policy in relation to future payments to current and former directors; and
- the annual implementation report on directors' remuneration, which details payments made to directors during the year ended 31 October 2013.

The directors' remuneration policy, which is set out on pages 65 to 73 of the directors' remuneration report in the 2013 annual report, is subject to a binding vote by shareholders at least every three years. If resolution 2 is passed, the policy will take effect immediately after the Annual General Meeting on 20 March 2014. Payments will continue to be made to directors in line with existing contractual arrangements until this date.

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

If the directors' remuneration policy is approved and remains unchanged, it will be valid for up to three years without new shareholder approval. If the policy is not approved for any reason, the Company will, if and to the extent permitted by the Act, continue to make payments to directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as is practicable.

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

## Resolution 4

Shareholders must approve the final dividend payable for each ordinary share held. The final dividend declared cannot exceed the amount recommended by the directors.

## Resolutions 5 to 12

In accordance with the Company's Articles of Association, Andy Hamment and Nigel Young will be standing for re-appointment as directors following their appointment by the Board during the year.

In accordance with the Company's Articles of Association, all directors are required to submit themselves for re-election every three years. However, in order to ensure compliance with the UK Corporate Governance Code, all of the remaining directors will voluntarily submit themselves for re-election at the forthcoming Annual General Meeting.

Biographical information on all of the directors is given below.

Andy Hamment was appointed as a non-executive director on 1 July 2013. Mr Hamment was the Group Marketing Director and a main Board Director of Ultra Electronics plc from May 2000 until March 2012. He has spent most of his career within the defence and manufacturing industries, primarily in business development and management roles. He joined Dowty in 1988 as Managing Director of the Controls business and participated in the management buy-out that created Ultra Electronics. Since April 2011, he has been a non-executive director of Senior plc.

Nigel Young was appointed as a non-executive director on 1 May 2013, following his appointment as Interim Chief Financial Officer between August 2012 and January 2013. Mr Young, who is a Chartered Accountant, is Chairman of the Audit Committee. He was formerly Finance Director of ALVIS PLC, First Technology PLC and Babcock International PLC. More recently, he was Group Finance Director of Morgan Advanced Materials plc, until he retired in 2004. Since then, Mr Young has undertaken a number of charitable, interim and consultancy roles, including roles with the UK Atomic Energy Authority and McBride PLC.

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

Steve Bowers was appointed as Group Finance Director on 7 January 2013. He was formerly Finance Director of Umeco plc. Mr Bowers joined Umeco in 1998, and for thirteen years held a number of financial roles, alongside the role of Company Secretary. He qualified as a Chartered Accountant with KPMG LLP, and is a member of the Institute of Chartered Accountants.

Sarah Ellard was appointed as Group Legal Director on 7 October 2011, having been Group Company Secretary since

## Notes on resolutions

1998. Prior to joining the Group in 1994, she trained and worked at Ernst & Young LLP. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Ian Much joined the Group as a non-executive director in December 2004. He is the Senior Independent Director and Chairman of the Remuneration Committee. Previous appointments include Chief Executive of De La Rue plc and T&N plc, and non-executive directorships of Admiral plc, Camelot plc, Manchester United plc and Simplyhealth Group Ltd. Mr Much is currently Senior Independent Director and Chairman of the Remuneration Committee at Senior plc and Chairman of the Remuneration Committee at BTG plc.

Vanda Murray OBE was appointed as a non-executive director on 1 November 2011. She currently holds a portfolio of non-executive directorships, including Carillion plc, where she chairs the Remuneration Committee, The Manchester Airport Group plc, and Microgen plc. She was also appointed as senior non-executive director of Fenner plc during the year. Mrs Murray's previous appointments include Deputy Chairman of the North West Regional Development Agency, non-executive director of SIG plc, Chief Executive Officer of Blick plc, and UK Managing Director of Ultraframe PLC. She is a Fellow of the Chartered Institute of Marketing, and in 2002 was appointed OBE for Services to Industry and to Export.

Mark Papworth was appointed as Chief Executive on 5 November 2012. Mr Papworth was formerly the Chief Executive Officer of the Gas Turbines Services division of John Wood Group plc, where he was also a main Board executive director from 2006. His career has covered high technology, service and manufacturing companies serving aerospace, energy and infrastructure markets. Prior to joining John Wood Group, Mr Papworth spent two years as Executive Vice President of Rolls-Royce Energy based in the USA, and thirteen years with Alstom Power in various roles, finally as Managing Director of the Industrial Gas Turbines division.

### Resolutions 13 and 14

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

### Resolution 15

The directors of the Company may only allot shares if authorised to do so by the shareholders in general meeting. This resolution, if passed, will grant new authority under section 551 of the Act and will give the directors flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new ordinary shares. The authority will enable the directors to allot ordinary shares up to an aggregate nominal amount of £644,323, which represents approximately one third of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 12 February 2014. This limit is in line with the guidelines issued by the Association of British Insurers.

The directors have no present intention of exercising this authority except for the purpose of allotting shares under the terms of the Company's employee share schemes. The authority will expire at the conclusion of the next Annual General Meeting or on 20 June 2015 (whichever is the earlier).

### Resolution 16

If passed, this resolution will allow the directors, pursuant to section 571(1) of the Act, to allot shares for cash without first offering them to shareholders in accordance with the Act and renews the authority given at the Annual General Meeting in 2013. This authority is limited to the allotment of shares for cash up to an aggregate nominal amount of £96,648, which represents approximately 5 per cent of the issued ordinary share capital of the Company (exclusive of treasury shares) as at 12 February 2014, without having to first offer them to shareholders in proportion to their existing holdings. This limit is in line with the guidelines issued by the Pre-emption Group. In addition, in accordance with normal practice, the resolution will enable the Board to allot shares pursuant to a rights issue or open offer, and to deal with overseas shareholders and fractional entitlements as it thinks fit in the context of any rights issue or open offer. The authority will expire at the conclusion of the next Annual General Meeting or on 20 June 2015 (whichever is the earlier). It is the directors' intention to review this authority every year. There are no present plans to exercise this authority.

### Resolution 17

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

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

The directors will only exercise this authority if they are satisfied that a purchase can be expected to result in an increase in earnings per share and will be in the interests of shareholders generally.

### Resolution 18

The Act provides that general meetings of a company may be held on not less than fourteen clear days' notice in writing. However, the Shareholder Rights Directive (Directive 2007/36/EC), which came into force on 1 August 2009, made it a requirement for companies whose shares are traded on the London Stock Exchange (among other markets), to seek approval each year from its shareholders if any general meeting is to be held on less than twenty one clear days' notice in writing. Resolution 18 seeks such approval.



# Shareholder notes

1. A shareholder entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies (who need not be shareholders in the Company) to attend, speak and vote instead of him/her. A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A separate proxy form should be used for each proxy appointment. If you intend appointing additional proxies, please contact Computershare Investor Services PLC on +44(0)870 889 3289 to obtain (an) additional proxy form(s). Alternatively, you may photocopy the enclosed form. A shareholder appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.
2. The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting. A proxy form accompanies this Notice and in order to be valid should be completed and returned to the Company's registrars: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY by not later than 11.30am on 18 March 2014. Alternatively, you may register your vote electronically by accessing the registrar's website at [www.eproxyappointment.com](http://www.eproxyappointment.com). In order to be valid, electronic votes must also be registered not later than 11.30am on 18 March 2014 or not later than forty-eight hours before the time appointed for any adjourned meeting.
3. Shareholders who are users of the CREST system (including CREST Personal Members) may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Company's agent (ID number 3RA50) not later than forty-eight hours before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Company's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
4. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers, provided that if two or more representatives purport to vote in respect of the same shares (i) if they purport to exercise the power in the same way as each other, the power is treated as exercised that way; and (ii) in other cases, the power is treated as not exercised.
5. A person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
6. The statements of the rights of shareholders in relation to the appointment of proxies in this Notice do not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by registered shareholders.
7. Under section 319A of the Companies Act 2006 any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
8. Only persons entered in the register of members of the Company at 6.00pm on 18 March 2014 or, in the event that the meeting is adjourned, 6.00pm on the date which is two working days prior to the reconvened meeting, shall be entitled to attend or vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend and vote at the meeting or adjourned meeting.
9. As at 12 February 2014 (being the latest business day prior to publication of this Notice), the Company's issued share capital consisted of 195,495,925 ordinary shares, carrying one vote each, and 62,500 preference shares. Preference shareholders are not entitled to attend and vote at the meeting. The Company holds 2,198,814 ordinary shares in treasury, which leaves voting rights over 193,297,111 ordinary shares.

## Shareholder notes

10. It is possible that, pursuant to requests made by members of the Company under section 527 of the Companies Act 2006, the Company may be required to publish on its website a statement setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the Annual General Meeting or any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid. The Company may not require the members requesting that any such statement be published on the Company's website to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes that statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on its website.
11. Copies of all service contracts or letters of appointment between the Company and its directors are available for inspection at the Company's registered office during normal business hours every business day, and will be available for inspection at the place of the Annual General Meeting for one hour prior to and until the close of the meeting.
12. A copy of this notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website ([www.chemring.co.uk](http://www.chemring.co.uk)).