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If you have sold or otherwise transferred or sell or otherwise transfer your entire holding of Ordinary Shares, please forward this document and the accompanying blue Form of Proxy as soon as possible to the purchaser or transferee or to the agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws of such jurisdiction. If you have sold or transferred only part of your holding of Ordinary Shares please consult the agent through whom the sale or transfer was effected.



Melrose

Melrose Industries PLC

(Incorporated and registered in England and Wales with registered number 09800044)

Incentive Plan Renewal 2017

and

Notice of General Meeting

Notice of a General Meeting of Melrose to be held at Barber-Surgeons' Hall, Monkwell Square, Wood Street, London EC2Y 5BL at 11:15 a.m. on 11 May 2017 (or as soon thereafter as the Annual General Meeting of the Company has been concluded) is set out on page 28 of this document.

This document should be read as a whole and in conjunction with the accompanying blue Form of Proxy. Your attention is drawn to the letter from the Chairman of the Remuneration Committee which is set out in Part I of this document and which contains a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

The Proposals (which do not include the crystallisation of the Existing Incentive Shares) are conditional on the approval of Shareholders at the General Meeting.

A blue Form of Proxy for use in connection with the Resolutions to be proposed at the General Meeting is enclosed. Whether or not you intend to be at the General Meeting in person, you are requested to complete the blue Form of Proxy in accordance with the instructions printed on it, and return it as soon as possible, but in any event so as to be received by Equiniti, by hand or by post, at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not later than 11:15 a.m. on 9 May 2017.

A summary of the action to be taken by Shareholders is set out on page 6 of this document and in the accompanying notice of the General Meeting. The return of a completed blue Form of Proxy will not prevent you from attending the General Meeting and voting in person if you so wish and are so entitled.

Rothschild, which is authorised and regulated in the United Kingdom by the FCA, is acting only for Melrose and no-one else in connection with the Proposals and will not regard any other person (whether or not a recipient of this document) as its client in relation to this document, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, and accordingly will not be responsible to anyone other than Melrose for providing the protections afforded to clients of Rothschild, or for providing advice in connection with the Proposals, the contents of this document or any other transaction, arrangement or other matter referred to in this document.

Investec, which is authorised by the PRA and regulated by the PRA and the FCA in the United Kingdom, is acting only for Melrose and no-one else in connection with the Proposals and will not regard any other person (whether or not a recipient of this document) as its client in relation to this document, save for any responsibility which may arise under FSMA or the regulatory regime established thereunder, and accordingly will not be responsible to anyone other than Melrose for providing the protections afforded to clients of Investec, or for providing advice in connection with the Proposals, the contents of this document or any other transaction, arrangement or other matter referred to in this document,

Certain terms used in this document, including certain capitalised terms and certain technical and other terms, are defined in Part IV.

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EXPECTED TIMETABLE OF EVENTS

	<u>2017</u>
Latest time and date for receipt of blue Form of Proxy for General Meeting	11:15 a.m. on 9 May 2017
General Meeting	11:15 a.m. on 11 May 2017
“trigger date” for Crystallisation of Existing Incentive Shares	31 May 2017
New Ordinary Shares arising on Crystallisation of Existing Incentive Shares admitted to the Official List and admitted to trading on the London Stock Exchange’s market for listed securities	8.00 a.m. on 31 May 2017
Commencement of the 2017 Incentive Plan	31 May 2017

N.B. All dates are subject to change.

References to times in this document are to London time. If any of the above times or dates should change, the revised times and/or dates will be notified to Shareholders by an announcement on an RIS.

PART I
LETTER FROM THE CHAIRMAN OF THE REMUNERATION
COMMITTEE OF MELROSE



Registered in England and Wales, Registration No. 09800044

Directors:

Christopher Miller (*Executive Chairman*)
David Roper (*Executive Vice Chairman*)
Simon Peckham (*Chief Executive*)
Geoffrey Martin (*Group Finance Director*)
John Grant (*Senior Non-Executive Director*)
Justin Dowley (*Non-Executive Director*)
Liz Hewitt (*Non-Executive Director*)
David Lis (*Non-Executive Director*)

Registered office:

11th Floor The Colmore Building,
Colmore Circus Queensway,
Birmingham,
B4 6AT

7 April 2017

Dear Shareholder,

INCENTIVE PLAN RENEWAL 2017

1. Introduction

As noted in the July 2016 circular seeking shareholder approval for the Nortek Inc. acquisition and related rights issue, Melrose is due to renew its long-term incentive arrangements on crystallisation of the current incentive plan on 31 May 2017.

Melrose's philosophy is that remuneration should be simple and transparent, support the delivery of the Melrose value creation strategy and pay only for performance. Its long-term incentive arrangements have applied since Melrose was floated in 2003 and have been regularly renewed with shareholder approval since then. Consistent with Melrose's remuneration principles, they are intended to align management's incentive arrangements directly with the interests of Shareholders by linking remuneration specifically to Shareholder value.

Since its first acquisition in 2005, Melrose has demonstrated an excellent track record, including:

- generating a total net shareholder value increase of £4.9 billion, given the current market capitalisation of £4.2 billion;
- maintaining an average annual return on investment of 26 per cent.; and
- producing a gross return of approximately £17.79 for Shareholders who invested £1 at the time of its first acquisition in 2005.*

The current Melrose incentive plan is based on value created since March 2012 and is due to crystallise on 31 May 2017. Although the actual value will be determined at crystallisation, to provide Shareholders with an indication of the success of the current incentive plan, as at 31 March 2017, Melrose's management have created £3.4 billion in value for shareholders, equating to an average annual return of 22 per cent. and a return on original equity invested of approximately three times. In the view of your Board and the Remuneration Committee, this validates the incentive arrangements as a highly effective and essential mechanism in establishing the necessary environment for management to produce the significant returns enjoyed by Shareholders to date.

* All calculations in this and the next paragraph are based on the average closing middle market quotation of an Ordinary Share as derived from the Daily Official List on 31 March 2017 and assume a continuous shareholding and participation in every fundraising, capital return and dividend receipt pro rata to ownership.

2. 2017 Incentive Plan

The proposed replacement incentive plan is on the same economic principles as the current incentive plan, namely that participants will again be entitled to 7.5 per cent. of the increase in value of the Company during its Performance Period (after applying the prior charge of RPI plus 2 per cent. per annum and adjusting for dividends and capital returns). Further details of these economic principles are set out in paragraph 1 of Part II of this document. However, it is proposed that the replacement incentive plan will also include additional shareholder focused features as follows:

- (i) the total duration of the replacement plan is five years, split between a three-year Performance Period (after which it will crystallise and the next incentive plan will be established) and a further two-year Holding Period. This brings the replacement plan more into line with market norms and aligns the Performance Period with the relevant directors' remuneration policy period;
- (ii) instead of a single lump sum allocated on commencement, allocations of interests in the replacement plan will be phased throughout the Performance Period, as determined by the Remuneration Committee; and
- (iii) executive Directors will be subject to malus provisions during the Performance Period and to clawback provisions for the duration of the subsequent Holding Period.

In addition, the proposed rights of the Incentive Shares to be contained in the articles of association of the Company, as set out in Resolution 1, do not specify the "Commencement Date" and the "Trigger Date" for the 2017 Incentive Plan. These dates are specified in Resolution 2 and are 31 May 2017 and 31 May 2020, respectively. A new series of Incentive Shares can therefore be issued for any future renewal of the incentive arrangements of the Company, with the relevant "Commencement Date" and "Trigger Date" to be specified in a resolution of the Company at the relevant time, so that Shareholder approval will continue to be required and obtained for such future renewals, but without the need for the Articles to be amended.

A consequence of allocations of interests being phased is that the vesting provisions will, subject to Shareholder approval, be amended to provide that each Option (or, if relevant, each 2017 Incentive Share) will vest for "good leavers" (including on normal retirement) 12 months after the award of the relevant Option, rather than vesting on a straight line basis over the term of the 2017 Incentive Plan.

Your Board and the Remuneration Committee strongly believe that this simple and transparent incentive framework is aligned with the Company's value creation strategy and that the remuneration arrangements are tailored to the culture and strategy of the Company, in paying only for performance. Accordingly, the Remuneration Committee recommends the adoption of the replacement incentive plan, on the terms set out in this document.

3. Background information on Existing Incentive Share Crystallisation

Background information on and details of the Existing Incentive Share Crystallisation are set out in paragraph 2 of Part II of this document.

4. General Meeting

Your approval is being sought for the creation of and the grant of options over the 2017 Incentive Shares for the purposes of the 2017 Incentive Plan.

A General Meeting, notice of which is set out at the end of this document, has been convened for 11:15 a.m. (or as soon thereafter as the Annual General Meeting of the Company has been concluded) on 11 May 2017 for this purpose. A blue Form of Proxy to be used in connection with the General Meeting is enclosed with this document.

At the General Meeting the following resolutions will be proposed in connection with the proposed creation of and the grant of options over the 2017 Incentive Shares, of which Resolutions 1, 4 and 5 shall be proposed as special resolutions and Resolutions 2 and 3 shall be proposed as ordinary resolutions:

- (i) to amend the Articles in order to establish a new share incentive plan by creating a new class of Incentive Shares on a similar economic basis to the Existing Incentive Shares (Resolution 1);
- (ii) to approve the grant of options over Incentive Shares and authorise the Directors to grant options over up to 50,000 Incentive Shares with a "Commencement Date" of 31 May 2017 and a "Trigger Date" of 31 May 2020, to be referred to as "2017 Incentive Shares" (Resolution 2);

- (iii) to approve the adoption of a new Directors' Remuneration Policy as set out in the Annex to this document, in order to include the 2017 Incentive Plan and to allow for the grant of options over the 2017 Incentive Shares (Resolution 3); and
- (iv) to approve the off-market buyback by the Company of Incentive Shares or Ordinary Shares (as the case may be) for the purposes of the malus and clawback provisions (Resolution 4).

In addition, a special resolution will be proposed to authorise the Company, in accordance with the Act, to purchase the 2012 Deferred Shares arising on crystallisation of the Existing Incentive Shares pursuant to the terms of a draft contract to be entered into between the Company and the Company Secretary for an aggregate consideration of one penny (Resolution 5).

Further details of the Resolutions are set out in Part II of this document. Resolution 2 is conditional upon Resolutions 1 and 3 being passed and Resolution 3 is conditional upon Resolutions 1 and 2 being passed. Resolutions 4 and 5 are not inter-conditional with Resolutions 1, 2 or 3.

5. Further information

Your attention is drawn to the remaining parts of this document which contain further information on Melrose and the Proposals.

6. Action to be taken

A blue Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the blue Form of Proxy to Equiniti, by hand or by post, at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible but in any event **so as to be received no later than 11:15 a.m. on 9 May 2017.**

The completion and return of a blue Form of Proxy will not prevent you from attending the meeting and voting in person if you wish to do so.

7. Recommendation

The Board, which has been so advised by Rothschild, considers the Proposals to be fair and reasonable as far as Shareholders are concerned. In providing advice to the Board, Rothschild has taken into account the commercial assessments of the Board.

The Board considers the Proposals to be in the best interests of Shareholders as a whole and recommends that you vote in favour of the Resolutions at the General Meeting.

Christopher Miller, David Roper, Simon Peckham and Geoffrey Martin, who are holders of Existing Options over Existing Incentive Shares and are proposed to be holders of Options over 2017 Incentive Shares, have interests in relation to the Proposals and accordingly have not taken part in the Board's consideration of the Proposals.

As interested parties, Christopher Miller, David Roper, Simon Peckham and Geoffrey Martin will not vote on the Resolutions and have each undertaken to take all reasonable steps to ensure that their associates (as defined in the Listing Rules) will not vote on the Resolutions at the General Meeting.

Yours faithfully



Justin Dowley

Chairman of the Remuneration Committee

PART II DETAILS OF THE PROPOSALS

The following sets out further details of the proposals to (a) amend Melrose's Articles in order to create the Incentive Shares; (b) permit the grant of options over the 2017 Incentive Shares and adopt a new Directors' Remuneration Policy accordingly; and (c) allow for the Company to purchase the 2012 Deferred Shares arising from the crystallisation of the Existing Incentive Shares. Shareholders will be asked to approve these proposals by voting in favour of the Resolutions to be proposed at the General Meeting.

1. Creation of and grant of Options over the 2017 Incentive Shares

Following the crystallisation of the Existing Incentive Shares, the Board proposes to create and grant options over a class of Incentive Shares which, for the purposes of the 2017 Incentive Plan, shall have a "Commencement Date" of 31 May 2017 and a "Trigger Date" of 31 May 2020, being the "Performance Period" of the 2017 Incentive Plan.

On 31 May 2020, being the "Trigger Date" for the purposes of the 2017 Incentive Plan, the relevant 2017 Incentive Shares shall crystallise and holders shall be entitled to receive a dividend in respect of the 2017 Incentive Shares held by them on such date or, if the Remuneration Committee so determines, in lieu of some or all of such dividend, to convert such 2017 Incentive Shares into Ordinary Shares, in each case in accordance with the formula to be set out in Melrose's Articles.

The crystallisation formula for the 2017 Incentive Shares is based upon the same economic principles as the current formula for the Existing Incentive Shares, save that the new 2017 Incentive Plan will have a Performance Period of three years followed by a Holding Period of two years (as further described below), in order to better align the plan with market practice and the term of the Directors' Remuneration Policy. Those principles are as follows:

- (i) the potential reward under the new 2017 Incentive Plan is 7.5 per cent. of the increase in index-adjusted value from and including 31 May 2017, the trigger date for the Existing Incentive Shares, to (but excluding) 31 May 2020, being the Trigger Date for the 2017 Incentive Shares for the purposes of the 2017 Incentive Plan, absent a Change of Control or winding up;
- (ii) the level of initial invested capital, against which to measure such increase in value, will be the deemed market capitalisation of the Company based on the average share price for the 40 business days up to the business day prior to 31 May 2017, the trigger date for the Existing Incentive Shares. This figure will be increased by Ordinary Share Costs less any Returns (each as defined in and calculated in accordance with the rights to be attached to the 2017 Incentive Shares as set out in articles 6(C)(iii) and 6(C)(iv), respectively), in each case from and including the trigger date for the Existing Incentive Shares, with each resulting amount being increased by RPI plus 2 per cent. per annum to (but excluding) 31 May 2020, being the Trigger Date for the 2017 Incentive Shares for the purposes of the 2017 Incentive Plan. Where Ordinary Shares are issued to one or more sellers in connection with an acquisition, the cost of those Ordinary Shares for the purposes of the calculation of Ordinary Share Costs will be measured using the average share price for the 10 business days prior to and including the business day immediately preceding the date of announcement of such acquisition. This provides greater certainty and differs from the existing incentive plan, for which such calculation would be based on the share price for the 10 business days from and including the date on which such Ordinary Shares are admitted to trading;
- (iii) the number of new shares to which holders of 2017 Incentive Shares may be entitled, in aggregate, on a future crystallisation will be subject to a cap equivalent to 5 per cent. of the total number of Ordinary Shares in issue on the trigger date for the Existing Incentive Shares, plus 5 per cent. of any new Ordinary Shares issued or created prior to 31 May 2020, being the Trigger Date for the 2017 Incentive Shares for the purposes of the 2017 Incentive Plan (including those Ordinary Shares resulting from the Existing Incentive Share Crystallisation); and
- (iv) the Remuneration Committee has discretion in circumstances where the crystallisation calculation for the new 2017 Incentive Plan would produce an anomalous result.

The 2017 Incentive Shares to be issued (or over which Options have been or will be granted) for the purposes of the 2017 Incentive Plan (as with the Existing Incentive Shares) will also crystallise early on a Change of Control event or a winding-up of the Company (other than any change of control in relation to a reorganisation or reconstruction of the Company's share capital which results in the Company being controlled by a new company ("**New Company**") in which at least 90 per cent. of the share capital of the New Company is owned

by the same persons who immediately before such reorganisation or reconstruction were shareholders in the Company).

The proposed rights of the Incentive Shares to be contained in the articles of association of the Company, as set out in Resolution 1, do not specify the “Commencement Date” and the “Trigger Date” for the 2017 Incentive Plan. These dates are specified in Resolution 2 and are 31 May 2017 and 31 May 2020, respectively. A new series of Incentive Shares can therefore be issued for any future renewal of the incentive arrangements of the company, with the relevant “Commencement Date” and “Trigger Date” to be specified in a resolution of the Company at the relevant time, so that shareholder approval will continue to be required and obtained for such future renewals, but without the need for the Articles to be amended.

The Holding Period will apply from crystallisation of the 2017 Incentive Shares on 31 May 2020, until 31 May 2022 (inclusive) (the “**Holding Period**”). During this time (i) the executive Directors will be required to retain all of the new Ordinary Shares which they will receive following the crystallisation of the 2017 Incentive Shares on 31 May 2020, other than any such Ordinary Shares sold in order to make adequate provision for any tax liability which may arise in connection with such crystallisation; and (ii) all other participants will be required to retain at least half of the remaining number of new Ordinary Shares which they will receive following the crystallisation of the 2017 Incentive Shares on 31 May 2020, after deducting any Ordinary Shares sold in order to make adequate provision for any tax liability which may arise in connection with such crystallisation, in each case subject to, and in accordance with, the terms of the Company’s share retention policy, which provides for the number of Ordinary Shares to be adjusted in the event of a bonus issue or any sub-division or consolidation of the Ordinary Shares. If a cash dividend is paid on the 2017 Incentive Shares, rather than a conversion into Ordinary Shares being effected, the clawback provisions will apply to the net cash amount received by executive Directors (and payment of tax) and therefore the Holding Period will also effectively apply to such cash amounts.

In previous incentive share plans of the Company awards have been granted over a large majority of the entitlements at the commencement of the plan. For the new 2017 Incentive Plan, it is envisaged that a smaller proportion will be issued at the outset, with additional awards expected to be made each year, throughout the Performance Period. Accordingly, Options have been granted over only 16,542 2017 Incentive Shares with effect from 31 May 2017, conditional on the amendments to the Articles provided for in Resolution 1 coming into effect and the passing of Resolutions 2 and 3, to certain employees, including the executive Directors and certain senior management employees of Melrose as set out in paragraph 3 below. The grant of such Options has been approved by the Remuneration Committee and will not be pensionable. It is envisaged that the remainder of the Options will be granted throughout the term of the 2017 Incentive Plan.

A consequence of fewer Options being granted at the commencement of the new 2017 Incentive Plan is that the vesting provisions will, subject to Shareholder approval, be amended to provide that each Option (or, if relevant, each 2017 Incentive Share) will vest for “good leavers” (which will include those retiring at or above 65 years of age) 12 months after the award of the relevant Option, rather than vesting on a straight line basis over the term of the incentive plan.

In addition, it is proposed that the terms of the 2017 Incentive Plan will include malus and clawback provisions, pursuant to which the Remuneration Committee may cancel unvested Options (and, if relevant, “clawback” unvested 2017 Incentive Shares) held by the executive Directors during the Performance Period or “clawback” certain Ordinary Shares held by the executive Directors during the Holding Period, following the crystallisation of the 2017 Incentive Plan.

The proposed malus and clawback provisions will apply in the event that there has been (i) a material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; (ii) material miscalculation of any performance measure on which crystallisation of the 2017 Incentive Plan was calculated (where clawback arises following 31 May 2020); and/or (iii) gross misconduct by the relevant executive Director.

In the event that the malus and clawback provisions are triggered during the Performance Period of the 2017 Incentive Plan, the Remuneration Committee may, at its discretion, cancel the Unvested Portion (as defined in the terms of the Options) of the Options held by the relevant executive Director for nil consideration and/or the relevant executive Director may be required to transfer to an employee share ownership trust or to the Company (or as the Remuneration Committee may otherwise direct) his unvested 2017 Incentive Shares at nominal value. In the event that the clawback provisions are triggered during the Holding Period, the Remuneration Committee may, at its discretion, require that the relevant executive Director (i) pay to the Company an amount no greater than any dividend received on crystallisation of the 2017 Incentive Shares, less the amount of any tax paid in relation to that dividend; and/or (ii) transfer to an employee share ownership trust

or to the Company (or as the Remuneration Committee may otherwise direct) the number of Ordinary Shares required to be held by the executive Director pursuant to the Melrose share retention policy in respect of the 2017 Incentive Plan at a price per share equal to the lower of (x) the nominal value of an Ordinary Share; and (y) the closing middle market quotation of an Ordinary Share as derived from the Daily Official List on the business day prior to transfer. This policy will require executive Directors to retain for the Holding Period all Ordinary Shares arising from crystallisation of his 2017 Incentive Shares (less the number of Ordinary Shares sold by that executive Director in order to fund his tax liability arising from crystallisation) taking into account any share capital consolidation (whether resulting from a return of capital or otherwise) undertaken during the Holding Period and the number of Ordinary Shares to which the clawback provisions shall apply shall be reduced pro rata accordingly. Malus and clawback provisions shall cease to apply in the event of a Change of Control or winding up of the Company.

1.1 *Details of options to subscribe for 2017 Incentive Shares*

16,542 options to subscribe for 2017 Incentive Shares (each an “**Option**” and, together with any further such options to be granted throughout the term of the incentive plan, the “**Options**”) have been, conditional on the amendments to the Articles provided for in Resolution 1 coming into effect and the passing of Resolutions 2 and 3, granted to certain employees with effect from 31 May 2017, including the executive Directors and certain senior management employees of Melrose as set out in paragraph 3 of this Part II. Such Options, have been or will be granted for nil consideration and on the following terms (terms used below having the same meaning as in the rights to be attached to the 2017 Incentive Shares as set out in Resolution 1):

- (i) each Option entitles its holder to subscribe for one 2017 Incentive Share at its nominal value of £1 per share;
- (ii) the Board may, from time to time at the recommendation of the Remuneration Committee, grant Options to subscribe for an aggregate of up to 50,000 2017 Incentive Shares, with a “Commencement Date” of 31 May 2017 and a “Trigger Date” of 31 May 2020. If an Option lapses the Board may, on the recommendation of the Remuneration Committee, grant further Options provided that the aggregate number of Options when added to the number of 2017 Incentive Shares in issue does not exceed 50,000. If, immediately prior to the “Trigger Date”, the full exercise of Options would result in there being fewer than 50,000 2017 Incentive Shares (less the number of Options cancelled pursuant to paragraph (iii)) in issue, the Board shall grant (prior to any automatic exercise of Options pursuant to paragraph (iii)) additional Options to an employee share ownership trust such that the full exercise of Options would result in 50,000 2017 Incentive Shares (less the number of Options cancelled pursuant to paragraph (iii)) being in issue immediately prior to the “Trigger Date”;
- (iii) Options may be exercised at any time up to and including the “Trigger Date” and, if not exercised within such time, will be automatically exercised immediately prior to the “Trigger Date”. Following exercise and if requested by the holder, an Incentive Share certificate will be issued to each holder of 2017 Incentive Shares. Alternatively, the Remuneration Committee may determine to cancel all or any of the Options immediately prior to the “Trigger Date” and prior to the automatic exercise of such Options, in exchange for a cash payment to the holder(s) of such Options on the “Trigger Date” of an amount equivalent to the dividend that would be payable on the corresponding 2017 Incentive Shares pursuant to the Articles if such Options were exercised and the decision was taken by the Remuneration Committee not to convert such 2017 Incentive Shares into Ordinary Shares, less the exercise price of £1 per Option;
- (iv) an Option may be exercised by notification in writing (which may include email) to the secretary to the Remuneration Committee by the holder of such Option of such holder’s exercise of the Option and delivery by such holder of payment in full for the share to be subscribed and, if available, the holder’s Option certificate, provided that the provisions in paragraphs (vii) and (viii) shall survive, notwithstanding the exercise of any Options and/or the return of the Option certificate pursuant to this paragraph. If any such exercise is for less than such holder’s total holding of Options, the Remuneration Committee will determine which Options have been exercised and a new Option certificate will be issued to reflect the balance of any remaining Options held by such holder;
- (v) if any Option is automatically exercised pursuant to paragraphs (iii), (vii) or (viii), to the extent that the consideration payable on such exercise is not immediately paid and in order to enable the 2017 Incentive Share to be issued fully paid, an amount of £1 will become due to the Company by the holder of such Option and it is a term of the grant of each Option that each holder undertakes to pay cash to the Company in satisfaction of such amount, on demand and in any event within one month of the automatic exercise of the Option;

- (vi) if the Remuneration Committee makes a determination pursuant to article 6(A)(ii) of the rights to be attached to the 2017 Incentive Shares, the Company shall serve a notice on the holders of Options informing such holders of the determination by the Remuneration Committee and such notice shall be served within five business days of such determination;
- (vii) if the Company becomes aware, in accordance with article 6(M) of the rights to be attached to the 2017 Incentive Shares, of a potential change of control of the Company (a “**Change of Control**”) and notwithstanding the requirements in paragraph (iv) above, it will:
 - (a) as soon as possible on becoming so aware, provide notice thereof to holders of Options; and
 - (b) at the same time as such notice is required to be given to holders of 2017 Incentive Shares, provide to all holders of Options a copy of the notice required to be given to holders of 2017 Incentive Shares in accordance with such article 6(M), whether or not any 2017 Incentive Shares are in issue at that time.

If, for any reason, the Company is not able to or does not comply with sub-paragraphs (a) and (b) of this paragraph, the Options will be automatically exercised immediately prior to the “Trigger Date” in accordance with paragraph (iii), save that in such case “Trigger Date” shall have the meaning given to it in article 6(M). To the extent that the number of Options which have been granted together with the number of 2017 Incentive Shares in issue is less than 50,000 immediately prior to the Trigger Date (as defined in Article 6(M)), additional Options shall be granted automatically, in accordance with the allocation schedule that has been approved by the Remuneration Committee and is in place at that time, such that the full exercise of Options would result in 50,000 Incentive Shares (less the number of Options cancelled pursuant to paragraph (iii)) being in issue, with effect immediately prior to the automatic exercise of Options pursuant to this paragraph, but conditional upon the Change of Control occurring. These Options shall be deemed to have vested immediately upon being granted, notwithstanding paragraph (xiii), and shall be exercised immediately prior to the “Trigger Date”, in accordance with this paragraph. The provisions in this paragraph shall survive the exercise of any Options and shall continue to apply in the event that there are no Options outstanding;

- (viii) if, in accordance with article 6(N) of the rights to be attached to the 2017 Incentive Shares, a resolution for voluntary winding up of the Company is passed or a winding up order is made by the Court, notwithstanding the requirements in paragraph (iv) above, the Options then outstanding will be deemed to have been exercised immediately prior to the conversion of the 2017 Incentive Shares in accordance with such article 6(N). To the extent that the number of Options which have been granted together with the number of 2017 Incentive Shares in issue is less than 50,000 immediately prior to the Trigger Date (as defined in Article 6(N)), additional Options shall be granted automatically, in accordance with the allocation schedule that has been approved by the Remuneration Committee and is in place at that time, such that the full exercise of Options would result in 50,000 Incentive Shares (less the number of Options cancelled pursuant to paragraph (iii)) being in issue, with effect immediately prior to the exercise of Options pursuant to this paragraph, but conditional upon the winding up occurring. These Options shall be deemed to have vested immediately upon being granted, notwithstanding paragraph (xiii), and shall be exercised immediately prior to the “Trigger Date”, in accordance with this paragraph. The provisions in this paragraph shall survive the exercise of any Options and shall continue to apply in the event that there are no Options outstanding;
- (ix) except as set out in paragraph (x), holders of Options may not transfer, charge, encumber or grant any option over or otherwise dispose of any Option or interest therein;
- (x) a holder of an Option may at any time transfer an Option:
 - (a) with the prior written consent of the Board (and where such consent is given in relation to a transfer to (i) the trustees of a trust of which the only beneficiaries (and the only people capable of being beneficiaries) are the holder of the Option who established the trust and who is transferring the relevant Options, the holder's spouse and/or his lineal descendant(s) by blood or adoption; and/or (ii) a company whose voting control is and will remain until 31 May 2020 under the control of the holder, the holder's spouse and/or the holder's lineal descendant(s) by blood or adoption; and/or (iii) his spouse; and/or (iv) his lineal descendants by blood or adoption, such transferees being “**Permitted Option Transferees**”); and
 - (b) if a transferee ceases to be a Permitted Option Transferee in relation to the original holder of the Option, to such original holder of the Option;

- (xi) if a transferee of any Options under paragraph (x) shall at any time cease to be a Permitted Option Transferee in relation to the original holder of the relevant Options (the “**Relevant Options**”), it shall be the duty of the trustees and/or the person holding the Relevant Options to notify the board in writing that such event has occurred and the trustees and/or the person shall be bound to execute such documents and to do such other things as may be necessary to transfer the Relevant Options at the price (if any) for which they were acquired, to the original holder (who shall be bound to acquire the Relevant Options) and, if they or he or she fails to do so, the Directors may authorise any Director to execute any document and to do such other things as may be necessary or desirable to transfer the Relevant Options on behalf of the trustees and/or the person holding the Relevant Options pursuant to this paragraph (xi);
- (xii) unless the Remuneration Committee determines otherwise, if a holder of Options or an original holder of Options transferred pursuant to paragraph (x) becomes a “bad leaver” (as defined in Article 8), any unexercised Options shall lapse;
- (xiii) if a holder of Options or an original holder of Options transferred pursuant to paragraph (x) becomes a “good leaver” (as defined in Article 8), save in circumstances where such holder becomes a “good leaver” as a result of his resignation in connection with a Change of Control, at the Remuneration Committee’s discretion, some or all of such good leaver’s unexercised Options shall lapse, such number to be no more than that number of Options as would be equal to the Unvested Portion of 2017 Incentive Shares had such holder’s Options been exercised in full prior to the holder becoming a “good leaver”, and a new certificate will be issued to reflect the balance of Options held by such good leaver (if any) following such lapse;
- (xiv) 2017 Incentive Shares allotted on exercise of Options will have the rights set out in the Company’s Articles as set out in Resolutions 1 and 2 in the Notice of Meeting at the end of this document and shall have a “Commencement Date” of 31 May 2017 and a “Trigger Date” of 31 May 2020;
- (xv) if any offer is made and is implemented (including any offer implemented by way of a court approved scheme of arrangement under part 26 of the Act) which results in the Company being controlled by a New Company in which at least 90 per cent. of the shares in the New Company are held by substantially the same persons who immediately before the offer was made were shareholders in the Company, the Options will, at the direction of the Remuneration Committee, be automatically exchanged for like options over shares in the New Company on substantially the same terms as the 2017 Incentive Shares and upon such exchange taking effect the existing Options will lapse;
- (xvi) the Remuneration Committee may amend the terms of the Options at any time with the consent of the holders of Options holding not less than three-quarters of the Options then in issue and, to the extent required by applicable law or regulation, with prior approval of Shareholders in a general meeting of the Company. Such prior approvals will not be required for any minor amendment made to benefit the administration of the Options or the 2017 Incentive Shares, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for holders of Options or 2017 Incentive Shares or for any company in the Melrose Group provided that an investment bank of repute shall have confirmed in writing that such alterations are fair and reasonable so far as holders of Ordinary Shares are concerned; and
- (xvii) if any amendment is made to the terms of the 2017 Incentive Shares the terms of the Options will be amended in such manner as the Remuneration Committee determines to be fair and reasonable to reflect such amendments.

1.2 *Details of Resolution 1 to be put to the General Meeting*

Resolution 1 amends Melrose’s Articles so as to delete the current Articles 4 to 9A, which set out the rights and restrictions attaching to the Existing Incentive Shares, and replace them with new Articles setting out the rights and restrictions of the Incentive Shares. If approved, this amendment will take effect immediately following crystallisation and conversion of the Existing Incentive Shares into Ordinary Shares and the rights and restrictions of the Incentive Shares will be based on the same economic principles as the rights and restrictions of the Existing Incentive Shares.

The proposed text of the new Articles 4 to 9 is set out in the notice of the General Meeting at the end of this document.

1.3 Details of Resolution 2 to be put to the General Meeting

Resolution 2 is conditional on the passing of Resolutions 1 and 3. The purpose of Resolution 2 is to create the 2017 Incentive Shares, with a “Commencement Date” of 31 May 2017 and a “Trigger Date” of 31 May 2020, on the basis set out in this document, to be referred to as “2017 Incentive Shares”, and to authorise the Directors to allot, or grant rights to subscribe for, 2017 Incentive Shares up to an aggregate nominal amount of £50,000, including authorising the Directors to grant options over any 2017 Incentive Shares which may become available in the future.

1.4 Details of Resolution 3 to be put to the General Meeting

Resolution 3 is conditional on the passing of Resolutions 1 and 2. The purpose of Resolution 3 is to approve the adoption of a new Directors’ Remuneration Policy, in order to include the 2017 Incentive Plan and to permit the grant of options over 2017 Incentive Shares.

1.5 Details of Resolution 4 to be put to the General Meeting

The purpose of Resolution 4 is to provide authority for off-market buybacks by the Company of 2017 Incentive Shares or Ordinary Shares (as the case may be) for the purposes of the malus and clawback provisions applicable to executive Directors. The authority shall expire on the day immediately preceding the fifth anniversary of the date on which the resolution is passed.

2. Existing Incentive Share Crystallisation and purchase of the 2012 Deferred Shares

No Existing Incentive Shares have yet been issued. Participants in the existing incentive plan currently hold options over the Existing Incentive Shares. The terms of the Existing Incentive Shares contained in the Articles and approved by Shareholders at the General Meeting held on 11 April 2012 state that upon crystallisation of the existing incentive plan the Existing Incentive Shares will be entitled to a dividend, unless the Remuneration Committee determines that a conversion of the Existing Incentive Shares into Ordinary Shares is preferred.

The Existing Incentive Share Crystallisation will trigger an income tax liability for Existing Incentive Shareholders. In 2012, the previous incentive plan was fully crystallised through the conversion of the 2009 incentive shares into Ordinary Shares, with participants having to sell a proportion of such newly issued Ordinary Shares immediately through a placing to meet their tax liability, consequently increasing the dilutive effect on Shareholders. The Remuneration Committee has determined that a portion of the Existing Options shall be cancelled by the Company in exchange for a cash payment to the holders of an amount exactly equivalent to the dividend that would be payable on the corresponding Existing Incentive Shares pursuant to the Articles if such Existing Options were exercised, less the option exercise price. The number of Existing Options to be cancelled shall be pro rata amongst holders of Existing Options and shall not exceed 47 per cent., being the number required to provide sufficient cash to meet the UK income tax and Employee National Insurance Contribution liability of holders. This cancellation of Existing Options shall put each holder of Existing Options in the same position as that holder would have been in had all the Existing Options of that holder been exercised in full and the resulting Existing Incentive Shares converted into Ordinary Shares, with the appropriate proportion of those Ordinary Shares having been sold to meet the holder’s tax liability. The Remuneration Committee believes that cancelling a proportion of the Existing Options in this manner is preferable, as it minimises the dilutive effect on Shareholders of issuing additional Ordinary Shares.

The unexercised Existing Options that are not cancelled in exchange for a cash payment shall be exercised automatically on crystallisation in accordance with their terms, as set out in the 2012 Circular. In relation to the resulting Existing Incentive Shares, the Remuneration Committee has determined that it is appropriate and preferred to proceed by way of a conversion of those Existing Incentive Shares into Ordinary Shares and has formally notified the Existing Incentive Shareholders of this decision.

Pursuant to the authority contained in the Articles, conversion of the remaining Existing Incentive Shares into Ordinary Shares will be implemented by way of a capitalisation of the Company’s merger reserve to effect a bonus issue to Existing Incentive Shareholders of New Ordinary Shares. As set out in the 2012 Circular and the Articles, the calculation for the Existing Incentive Share Crystallisation will be based on the average closing middle market price of a Melrose Share for the 40 business days prior to 31 May 2017.

An illustration of how this calculation would be applied, assuming a “trigger date” of 31 December 2016, has been set out on page 76 of the 2016 Annual Report. Alternatively, if the “trigger date” were assumed to be 31 March 2017, the value created would be £3.4 billion, which would be subject to the RPI plus 2 per cent. charge, to give an index-adjusted value of £3.0 billion. Therefore, this calculation would result in a theoretical

value to management of approximately £223 million (before any tax liability). Each Existing Incentive Share to be converted would carry an entitlement to 2,001 Ordinary Shares of $\frac{48}{7}$ pence each and each Existing Option to be cancelled would be so cancelled by the Company in exchange for a cash payment to the holders of an amount of £4,461.84 per Existing Option, sufficient to meet a holder's UK income tax and Employee National Insurance Contribution liability arising from the Existing Incentive Share Crystallisation* This has been calculated for illustrative purposes only and, due to its nature, addresses a hypothetical situation and, therefore, does not represent the actual results of the calculation as it will be applied on the actual "trigger date" of 31 May 2017.

Immediately upon the allotment of the New Ordinary Shares, and pursuant to the authority contained in the Articles, the Existing Incentive Shares held by the Existing Incentive Shareholders shall be re-designated as 2012 Deferred Shares and shall be transferred by the Existing Incentive Shareholders to the Company Secretary. The Articles grant irrevocable authority to the Board for the Company to purchase the 2012 Deferred Shares for an aggregate price of one penny, subject to the provisions of the Act. The Act requires Shareholders to approve the draft contract for purchase by the Company of the 2012 Deferred Shares.

The executive Directors are subject to the Company's share retention policy in force from time to time, which will require that they hold half of the New Ordinary Shares they receive (subject to adjustment for any future share capital consolidations, sub-divisions or bonus issues), further aligning their interests with their fellow Shareholders.

Following the crystallisation of the Existing Incentive Shares, share certificates in relation to the Existing Incentive Shares will no longer be valid. Application will be made to the UKLA and the London Stock Exchange respectively for the New Ordinary Shares to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission of the New Ordinary Shares will become effective and dealings in them will commence on the London Stock Exchange at 8.00 a.m. on 31 May 2017. An announcement will be published on RNS prior to commencement of dealings in the New Ordinary Shares of the number of New Ordinary Shares to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange. The New Ordinary Shares have not been marketed and are not available to the public, in whole or in part, in connection with Admission.

The New Ordinary Shares are expected to be admitted to listing and trading in the same way as the Ordinary Shares and will be equivalent in all respects to the Ordinary Shares, including their dividend, voting and other rights. New Ordinary Share certificates will be issued to Existing Incentive Shareholders (or, for those Existing Incentive Shareholders who hold their Ordinary Shares through the CREST system, they will not receive any share certificates and their CREST accounts will be credited).

Immediately upon the allotment of the New Ordinary Shares arising from the Crystallisation of the Existing Incentive Shares, and pursuant to the authority contained in the Articles, the Existing Incentive Shares held by the Existing Incentive Shareholders shall be re-designated as 2012 Deferred Shares and shall be transferred by the Existing Incentive Shareholders to the Company Secretary. Due to the cancellation of a portion of the Existing Options, the number of Deferred Shares arising from such re-designation shall be equal to the number of Existing Incentive Shares that are allotted, which shall be 50,000, less the number of Existing Options that are cancelled. The Articles grant irrevocable authority to the Board for the Company to purchase the 2012 Deferred Shares for an aggregate price of one penny without obtaining the sanction of the Existing Incentive Shareholders, subject to the provisions of the Act. The Act requires Shareholders to approve the draft contract for the purchase by the Company of the 2012 Deferred Shares.

2.1 Details of Resolution 5 to be put to the General Meeting

Resolution 5 authorises the purchase by the Company of the 2012 Deferred Shares arising on the Existing Incentive Share Crystallisation for an aggregate price of one penny. In accordance with section 694 of the Act, in order for the Company to purchase the 2012 Deferred Shares in this manner, a contract for such purchase must be approved before any purchase is made pursuant to such contract. A copy of the 2012 Deferred Shares Contract will be available for inspection by Shareholders at the General Meeting and at Melrose's registered office and the offices of Simpson Thacher and Bartlett LLP for not less than 15 days prior to the date of the General Meeting. The authority granted to the Company will expire on the earlier to occur of the conclusion of the annual general meeting of the Company in 2018 and the date falling 15 months from the date of the passing of the resolution. The resolution proposes that the 2012 Deferred Shares be cancelled following such purchase and that the issued share capital of the Company be diminished accordingly.

* This illustration does not take into account the final 2016 dividend, which has a record date and payment date falling after 31 March 2017.

As at the date of this document, the Company holds no shares in treasury and there are no warrants or options outstanding to subscribe for Ordinary Shares in the Company. Following the purchase by the Company of the 2012 Deferred Shares, such 2012 Deferred Shares shall be cancelled and shall not be capable of being re-issued.

The purchase by the Company of the 2012 Deferred Shares and the creation of the 2017 Incentive Shares and grant of options over the 2017 Incentive Shares are not inter-conditional.

3. Details of executive Directors who are proposed to be 2017 Incentive Shareholders

The table below shows the executive Directors and certain senior management employees who are proposed to be beneficiaries under the new 2017 Incentive Plan (each of whom has initially been granted Options over the number of 2017 Incentive Shares set out below with effect from 31 May 2017, conditional on the amendments to the Articles provided for in Resolution 1 coming into effect and the passing of Resolutions 2 and 3).

<u> Holders of options over 2017 Incentive Shares </u>	<u> Number of 2017 Incentive Shares under option </u>	<u> % of 2017 Incentive Shares over which Options held </u>
Christopher Miller	2,583	5.17%
David Roper	2,583	5.17%
Simon Peckham	2,833	5.67%
Geoffrey Martin	2,833	5.67%
Alistair Peart	1,000	2.00%
Jim Slattery	1,167	2.33%
Joff Crawford	833	1.67%
Garry Barnes	417	0.83%
Geoffrey Morgan	583	1.17%
Matt Richards	583	1.17%
Matt Nozemack	333	0.67%

The Remuneration Committee has also allocated a further 792 options to other Melrose employees as they have determined is appropriate for incentivisation purposes.

**PART III
ADDITIONAL INFORMATION**

1. Melrose Directors

The Melrose Directors and their principal functions are as follows:

Christopher Miller	<i>Executive Chairman</i>
David Roper	<i>Executive Vice Chairman</i>
Simon Peckham	<i>Chief Executive</i>
Geoffrey Martin	<i>Group Finance Director</i>
John Grant	<i>Senior Non-Executive Director</i>
Justin Dowley	<i>Non-Executive Director</i>
Liz Hewitt	<i>Non-Executive Director</i>
David Lis	<i>Non-Executive Director</i>

2. Consent

Rothschild has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

Investec has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they appear.

3. Documents Available for Inspection

Copies of the following documents may be inspected at the offices of Simpson Thacher & Bartlett LLP, CityPoint, One Ropemaker Street, London EC2Y 9HU during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the General Meeting and at the registered office of the Company from the date of this document up to and including the date of the General Meeting and will also be available for inspection for at least 15 minutes before and during the General Meeting:

- (a) the consent letters referred to in paragraph 2 above;
- (b) the 2012 Deferred Shares Contract; and
- (c) this document.

Dated: 7 April 2017

PART IV
DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise:

- “**2012 Circular**” the circular to Shareholders dated 23 March 2012 in relation to the crystallisation of the 2009 Incentive Shares of £1 each in the capital of the Company and the creation of the 2012 incentive plan
- “**2012 Deferred Share(s)**” . . . the unlisted deferred shares of £1 each in the capital of the Company, arising as a result of the re-designation of the Existing Incentive Shares in accordance with the Existing Incentive Share Crystallisation
- “**2012 Deferred Shares Contract**” the draft contract to be entered into between the Company and the Company Secretary for the purchase by the Company of the 2012 Deferred Shares for an aggregate consideration of one penny
- “**2015 Annual Report**” the Company’s Annual Report for the year ended 31 December 2015
- “**2016 Annual Report**” the Company’s Annual Report for the year ended 31 December 2016
- “**2017 Incentive Plan**” the proposed new incentive plan of the Company, as described in paragraph 1 of Part II of this document
- “**2017 Incentive Share(s)**” . . the series of Incentive Shares proposed to be created pursuant to Resolution 2, with a “Commencement Date” of 31 May 2017 and a “Trigger Date” of 31 May 2020
- “**Act**” the Companies Act 2006 (as amended)
- “**Admission**” admission of the New Ordinary Shares to the Official List and to trading on the main market of the London Stock Exchange becoming effective in accordance with Listing Rules and the rules of the London Stock Exchange respectively
- “**Articles**” the articles of association of the Company
- “**Board**” or “**Directors**” . . . the directors of the Company at the date of this document
- “**Business Day**” any day on which banks are generally open in England and Wales for the transaction of normal banking business other than a Saturday or Sunday or public holiday
- “**Change of Control**” has the meaning given to it in paragraph 1.1(vii) of Part II of this document
- “**Commencement Date**” has the meaning given to it in article 6(D) of the proposed new Articles of the Company, to be adopted pursuant to, and as set out in, Resolution 1
- “**Daily Official List**” the Daily Official List of the London Stock Exchange
- “**Directors’ Remuneration Policy**” the proposed new directors’ remuneration policy proposed to be adopted pursuant to Resolution 3, as set out in the Annex to this document
- “**Equiniti**” Equiniti Limited, the registrars of the Company
- “**Existing Directors’ Remuneration Policy**” . . . the directors’ remuneration policy, as set out on pages 76 to 81 of the 2015 Annual Report
- “**Existing Incentive Share(s)**” the 50,000 2012 Incentive Shares of £1 each in the capital of the Company currently in issue or available for issue or in respect of which options to subscribe have been or are available to be granted
- “**Existing Incentive Shareholder**” a holder of Existing Incentive Shares or options to subscribe for Existing Incentive Shares

“Existing Incentive Share Crystallisation”	the crystallisation of the Existing Incentive Shares as described in paragraph 1 of Part II of this document
“Existing Option(s)”	options to subscribe for Existing Incentive Shares
“FCA”	the United Kingdom Financial Conduct Authority
“Form of Proxy”	the form enclosed with this document for use by Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“General Meeting”	the general meeting of Melrose convened for 11:15 a.m. on 11 May 2017 (or as soon thereafter as the Annual General Meeting of the Company has been concluded) to vote on the Resolutions and any adjournment thereof
“Group”	the Company and its subsidiaries
“Holding Period”	has the meaning given to it in paragraph 1 of Part II of this document
“Incentive Share(s)”	the new class of shares of £1 each in the capital of the Company to be established upon implementation of the amendments to the Articles proposed by Resolution 1
“Investec”	Investec Investment Banking, a division of Investec Bank plc
“Listing Rules”	the listing rules made by the FCA in exercise of its functions as competent authority pursuant to Part V of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Melrose” or the “Company”	Melrose Industries PLC
“Melrose Board” or “Melrose Directors”	the board of directors of Melrose
“New Company”	has the meaning given to it in paragraph 1 of Part II of this document
“New Ordinary Share(s)”	the new Ordinary Shares arising from the Existing Incentive Share Crystallisation
“Official List”	the official list maintained by the UK Listing Authority for the purposes of Part V of FSMA
“Options”	options to subscribe for 2017 Incentive Shares, as defined in paragraph 1.1 of Part II of this document
“Ordinary Share(s)” or “Melrose Share(s)”	ordinary shares in the capital of the Company
“Performance Period”	has the meaning given to it in paragraph 1 of Part II of this document
“Proposals”	the creation of the 2017 Incentive Plan and to permit the grant of options over the 2017 Incentive Shares, with a “Commencement Date” of 31 May 2017 and a “Trigger Date” of 31 May 2020
“PRA”	the United Kingdom Prudential Regulation Authority and includes, where applicable, any successor body or bodies carrying the functions currently carried out by the Prudential Regulation Authority
“Remuneration Committee”	the remuneration committee of the Company
“Resolution 1”	a special resolution to be proposed as the first resolution at the General Meeting (as set out in the notice of General Meeting at the end of this document)

“Resolution 2”	an ordinary resolution to be proposed as the second resolution at the General Meeting (as set out in the notice of General Meeting at the end of this document)
“Resolution 3”	an ordinary resolution to be proposed as the third resolution at the General Meeting (as set out in the notice of General Meeting at the end of this document)
“Resolution 4”	a special resolution to be proposed as the fourth resolution at the General Meeting (as set out in the notice of General Meeting at the end of this document)
“Resolution 5”	a special resolution to be proposed as the fifth resolution at the General Meeting (as set out in the notice of General Meeting at the end of this document)
“Resolutions”	Resolution 1, Resolution 2, Resolution 3, Resolution 4 and Resolution 5
“Rothschild”	N M Rothschild & Sons Limited
“RPI”	the UK Retail Prices Index (all items) published by the Office for National Statistics (or any successor Government department) (January 1987 = 100) or any index which may replace the RPI, as selected by the Remuneration Committee
“Shareholder(s)” or “Ordinary Shareholder(s)”	(a) holder(s) of Ordinary Shares
“subsidiary” and “subsidiary undertaking”	have the meanings given to them in sections 1159 and 1162 of the Act respectively
“Trigger Date”	has the meaning given to it in Article 6(D) of the proposed new Articles of Association of the Company, to be adopted pursuant to, and as set out in, Resolution 1
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for listing under Part V of FSMA and in the exercise of its functions in respect of admission to the Official List
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland

All times referred to are London times unless otherwise stated.

ANNEX

DIRECTORS' REMUNERATION POLICY

This Directors' remuneration policy shall, subject to shareholder approval at the General Meeting, take binding effect from the conclusion of that meeting. The Company's current Directors' remuneration policy was approved by shareholders at the 2016 AGM. This new policy is proposed to take account of the introduction of the 2017 Incentive Plan. The differences between the policy approved at the 2016 Annual General Meeting and the policy set out below are the inclusion of the 2017 Incentive Plan, consequential changes to reflect the introduction of the 2017 Incentive Plan and the crystallisation of the 2012 Incentive Plan and the updating of the shareholding guidelines for executive Directors to reflect the crystallisation of the 2012 Incentive Plan.

Executive Directors

Component of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metric
Base salary	<p>Core element of fixed remuneration, reflecting the size and scope of the role.</p> <p>Purpose is to attract and retain Directors of the calibre required for the Group.</p>	<p>Normally reviewed annually and usually fixed for 12 months from 1 January, although salaries may be reviewed more frequently or at different times of the year if the Remuneration Committee determines this to be appropriate.</p> <p>Salary is paid in cash and levels are determined by the Remuneration Committee taking into account a range of factors including:</p> <ul style="list-style-type: none"> • role, experience and performance; • prevailing market conditions; • external benchmarks for similar roles at comparable companies; and • salary increases awarded for other employees in the Group. 	<p>To avoid setting expectations of executive Directors and other employees, no maximum has been set under the remuneration policy.</p> <p>Increases may be made to salary levels in certain circumstances as required, for example to reflect:</p> <ul style="list-style-type: none"> • increase in scope of role or responsibility; and • performance in role. <p>Salary increases will take into account the average increase awarded to other employees in the Group.</p>	<p>Not applicable, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase.</p>
Annual bonus	<p>Rewards performance against annual targets which support the strategic direction of the Company.</p>	<p>Targets are set annually and payout is determined by the Remuneration Committee after the year-end based on performance against those targets. The Remuneration Committee has discretion to vary the bonus pay-out (upwards or downwards) should any formulaic output not produce a fair result for either the individual executive Director or the Company, taking account of overall business performance.</p> <p>The treatment of bonus payments upon loss of office is described on page 25.</p>	<p>100% of base salary.</p>	<p>The Remuneration Committee will have regard to various performance metrics (which will be determined by the Remuneration Committee) measured over the relevant financial year, when determining bonuses.</p> <p>At least 50% of the award will be based on financial measures and the balance of the award will be based on strategic measures and/or personal objectives, as determined by the Remuneration Committee.</p> <p>Financial metrics</p> <p>The element of the bonus subject to a financial metric will be determined between 0% and 100% for performance between "threshold" performance (the minimum level of performance that results in any level of payout) and "maximum" performance.</p> <p>Strategic element</p> <p>The strategic element of an award will be determined to the extent assessed by the Remuneration Committee between 0% and 100% based on the Remuneration Committee's assessment of a range of financial and non-financial metrics and/or personal objectives.</p>
Benefits	<p>Ensures the overall package is competitive.</p> <p>Purpose is to recruit and retain Directors of the calibre required for the business.</p>	<p>Executive Directors receive benefits in line with market practice and these include a company car allowance, fuel allowance, private medical insurance, life insurance and group income protection.</p> <p>Other benefits may be provided based on individual circumstances, such benefits may include (but are not limited to) travel costs to and from London and accommodation in London for executive Directors who are not based in London but who are required to work there and relocation allowances.</p>	<p>Whilst the Remuneration Committee has not set an absolute maximum on the level of benefits executive Directors may receive, the value of benefits is set at a level which the Remuneration Committee considers appropriate against the market and to support the ongoing strategy of the Company.</p>	<p>Not applicable.</p>
2017 Incentive Plan .	<p>Incentivises executive Directors over the longer-term and aligns their interests with those of shareholders by linking the level of reward to the value delivered to shareholders.</p>	<p>Options are granted over a separate class of incentive shares, of which the series created for the purposes of the 2017 incentive Plan is known as the "2017 Incentive Shares". Each option entitles its holder to subscribe for one 2017 Incentive Share and has an exercise price equal to the nominal value of a 2017 Incentive Share. The rights attaching to the 2017 Incentive Shares are set out in the Company's articles of association as proposed to be amended as set out in the Circular dated 7 April 2017 in connection with the Company's General Meeting to be held on 11 May 2017 (the "Circular") and as</p>	<p>The value that may be delivered under the 2017 Incentive Plan is linked to the shareholder value created over the period from and including 31 May 2017 to crystallisation; accordingly, it is not possible to express the maximum opportunity as a multiple of salary.</p> <p>Options may be granted over, in aggregate, 50,000 2017 Incentive Shares.</p>	<p>The value that may be delivered under the 2017 Incentive Plan will be determined by reference to the growth in value of the Company from and including 31 May 2017 to and including the trigger date, calculated in accordance with the Articles.</p>

Component of remuneration	Purpose and link to strategy	Operation	Opportunity	Performance metric
		<p>subsequently amended from time to time (the "Articles").</p> <p>The Remuneration Committee may amend the terms of the options at any time with the prior approval of shareholders (to the extent required by law) and optionholders holding not less than three-quarters of the options then in issue, provided that approval will not be required for any minor amendment to benefit the administration of the 2017 Incentive Plan, to take account of changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment provided that an investment bank shall have confirmed the amendment is fair and reasonable so far as the ordinary shareholders are concerned. The options may also be amended to reflect any amendment made to the terms of the 2017 Incentive Shares.</p> <p>Options may be exercised at any time up to and including 31 May 2020 (the "trigger date") and if not exercised or cash cancelled (see below) prior to that date will be automatically exercised immediately prior to the trigger date. In the event of a change of control of the Company (a "Change of Control") or winding-up of the Company, the trigger date may be a date before 31 May 2020.</p> <p>Following the trigger date, the participants shall be entitled to 7.5% of the index-adjusted increase in value of the Company from and including 31 May 2017 to but excluding the trigger date. This value may be delivered in the form of a dividend and/or the conversion (in such manner as the Board shall determine) of the 2017 Incentive Shares into an appropriate number of Ordinary Shares and/or in the form of a cash payment in exchange for cancellation of options, as described in further detail below and/or in certain other ways permitted under the Articles.</p> <p>The calculation of the growth in value of the Company shall be determined in accordance with the Articles.</p> <p>The Company may, immediately prior to the trigger date and any automatic exercise of the options, cancel all or any of the options in exchange for a cash payment on the trigger date equivalent to the dividend that would have been payable on the corresponding 2017 Incentive Shares in accordance with the Articles if the options were exercised and the resulting 2017 Incentive Shares were not converted, less the option exercise price.</p> <p>Each executive Director will be required to retain all of the Ordinary Shares they receive in connection with the crystallisation of the 2017 Incentive Shares until 31 May 2022, other than any Ordinary Shares sold in order to make adequate provision for any tax liability arising in connection with the crystallisation. If a cash dividend is paid on the 2017 Incentive Shares, rather than a conversion into Ordinary Shares being effected, the malus and clawback provisions referred to below will apply to the net cash amount received by executive Directors after payment of tax so that in effect the holding period will apply to those cash amounts.</p> <p>The treatment of an executive Director's participation in the 2017 Incentive Plan if he is a "leaver" is described on pages 25 to 26.</p>	<p>The options to be held by the executive Directors as at 31 May 2017 are as follows:</p> <ul style="list-style-type: none"> • Christopher Miller: 2,583 • David Roper: 2,583 • Simon Peckham: 2,833 • Geoffrey Martin: 2,833 <p>It is proposed that options over 2017 Incentive Shares will be granted on an annual basis, although they may be granted more frequently.</p> <p>The maximum aggregate value that may be realised under the 2017 Incentive Plan shall be 7.5% of the index-adjusted increase in shareholder value from and including 31 May 2017 to and including the trigger date (as determined in accordance with the Articles).</p> <p>The maximum number of new Ordinary Shares in the Company that may be issued on conversion of the 2017 Incentive Shares is 5% of the aggregate number of Ordinary Shares in issue on 31 May 2017 plus 5% of any additional Ordinary Shares issued or created by the Company after that date and prior to the trigger date. However, this limit will not apply in the event of a Change of Control or winding up of the Company, as provided for in the Articles.</p>	
Retirement benefits	<p>Provides market competitive post-employment benefits (or cash equivalent).</p> <p>Purpose is to recruit and retain Directors of the calibre required for the business.</p>	Directors may elect to receive a Company contribution to an individual defined contribution pension arrangement or a supplement to base salary in lieu of a pension arrangement.	15% of base salary.	Not applicable.
Shareholding guidelines in respect of 2012 Incentive Plan	To align the interests of executive Directors with shareholders.	Executive Directors are required to retain half of any Ordinary Shares acquired pursuant to the crystallisation of the 2012 Incentive Plan, other than any Ordinary Shares sold in order to make adequate provision for any tax liability arising in connection with the crystallisation. The number of Ordinary Shares required to be retained will be adjusted as determined by the Remuneration Committee to reflect any subsequent variations in the capital of the Company, including share capital consolidations, sub-divisions or bonus issues.	N/A	N/A

2012 Incentive Plan

The 2012 Incentive Plan takes the form of options originally granted in 2012, following approval by a special resolution of shareholders on 11 April 2012. Those options are proposed to be exercised (or cancelled in exchange for a cash payment) as described in the Circular. Although no further options will be granted under the 2012 Incentive Plan (other than any unallocated options, which shall be granted to an employee share ownership trust prior to crystallisation; the executive Directors will not participate in the value of any such options), the Company may, under this policy, satisfy the exercise of any option to acquire 2012 Incentive Shares (or cancel any such option in exchange for a cash payment as described in the Circular) and may deliver value to any holder of 2012 Incentive Shares in accordance with the Company's articles of association that are in effect as at the date that such value is to be delivered.

Recovery provisions

Annual Bonus

Annual bonus awards are discretionary and, accordingly, are subject to a "malus" provision over the course of the relevant year. The annual bonus is also subject to a clawback arrangement giving the Remuneration Committee the ability to require repayment of some or all of any bonus earned in the event of: (1) material misstatement of financial results; (2) miscalculation of any performance measure on which the bonus earned was calculated; and/or (3) serious misconduct by the relevant participant. The Remuneration Committee will have discretion to apply clawback at any time up until the Annual General Meeting held in the second year following the payment of the bonus.

2017 Incentive Plan

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; and/or (2) gross misconduct by the relevant executive Director prior to the trigger date, any of the unvested portion of the unexercised options held by the executive Director under the 2017 Incentive Plan may be cancelled for nil consideration and/or the executive Director may be required to transfer any of the unvested portion of his 2017 Incentive Shares at nominal value.

In the event of (1) material misstatement of financial results that, in the reasonable opinion of the Remuneration Committee, has a material negative effect; and/or (2) material miscalculation of any performance measure on which the crystallisation of the 2017 Incentive Plan was based; and/or (3) gross misconduct by the relevant executive Director, following the trigger date but prior to 31 May 2022, the executive Director may be required to pay to the Company the amount of any dividend received on crystallisation of the 2017 Incentive Shares, less the amount of any tax paid in relation to that dividend and/or to transfer (for a price equal to the lower of their nominal value and the price of an Ordinary Share) the number of Ordinary Shares arising from the crystallisation of the 2017 Incentive Shares, less the number of Ordinary Shares sold to fund the tax liability arising from crystallisation.

Malus and clawback provisions shall cease to apply in the event of a Change of Control or winding up of the Company.

Non-executive Directors

<u>Component of remuneration</u>	<u>Purpose and link to strategy</u>	<u>Operation</u>	<u>Opportunity</u>	<u>Performance metric</u>
Non-executive Director fees	Set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and expertise.	Fees are reviewed periodically and amended to reflect market positioning and any change in responsibilities. Fees for non-executive Directors are determined by the executive Directors.	Fees are based on the level of fees paid to non-executive Directors serving on boards of similar-sized UK-listed companies and the time commitment and contribution expected for the role. Non-executive Directors receive a basic fee and a further fee for the chairmanship of a Board Committee or for holding the office of senior non-executive Director. Non-executive Directors may be eligible to receive benefits such as use of secretarial support, reimbursement of travel costs and other benefits that may be appropriate.	Not applicable.

Explanation of performance measures chosen

Performance measures are chosen to align with the Company's strategy.

Annual bonus

Stretching performance targets are set each year for the annual bonus, to reflect the key financial and strategic objectives of the Company and to reward for delivery against these targets. When setting the targets, the Remuneration Committee will take into account a number of different reference points including its plans and strategy and the market environment.

2017 Incentive Plan

Value delivered under the 2017 Incentive Plan will be determined by reference to the growth in the value of the Company, such that the performance metric is the level of such growth that is delivered to shareholders. This arrangement was considered appropriate by the Remuneration Committee which considers that the previous and similar Incentive Plans introduced in 2009 (crystallising in 2012) and in 2012 (crystallising in 2017), have been very effective in incentivising management to deliver real value to shareholders over the applicable performance periods.

The Articles provide that the Remuneration Committee may make adjustments to the calculation of the amount to which the holders of the 2017 Incentive Shares shall be entitled in certain circumstances. These circumstances include, but are not limited to, the Articles or any future change to the capital structure of the Company producing, or being likely to produce, an anomalous result. Any such adjustment shall be such as the Remuneration Committee considers fair and reasonable and as an investment bank shall have confirmed to be fair and reasonable so far as the ordinary shareholders are concerned.

Differences between the Company's policy on Directors' remuneration and its policy on remuneration for other employees

Remuneration arrangements throughout the Group are determined based on the same principle that rewards should be sufficient as is necessary to attract and retain high calibre talent, without paying more than is necessary and should be achieved for delivery of the Company's strategy.

The Company has operations in various countries, with Group employees of differing levels of seniority. Accordingly, though based on the over-arching principle above, reward policies vary to take account of these factors.

The Company has also implemented divisional long-term incentive plans for senior managers of businesses within the Group to incentivise them to create value for the Company and its shareholders.

As with the 2012 Incentive Plan, the Remuneration Committee considers it appropriate for participation in the 2017 Incentive Plan to be extended to those members of senior management beyond the executive Directors necessary to develop the business further.

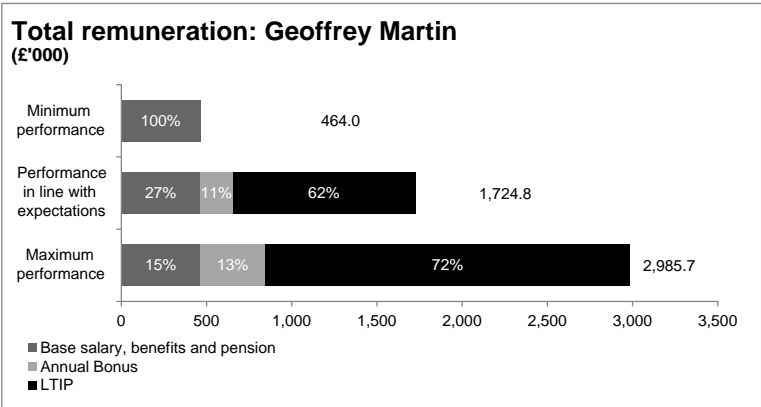
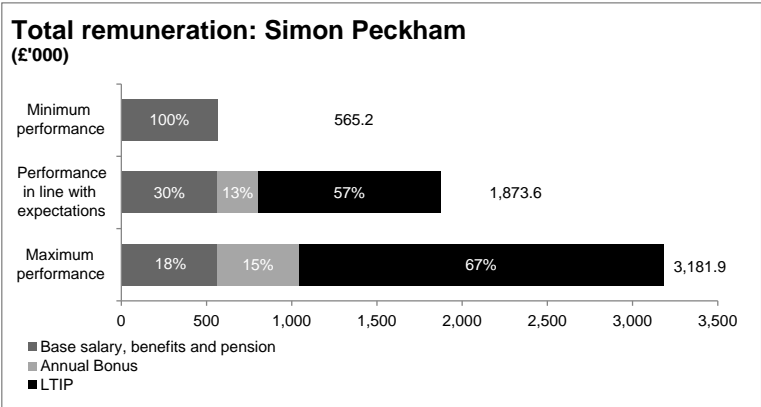
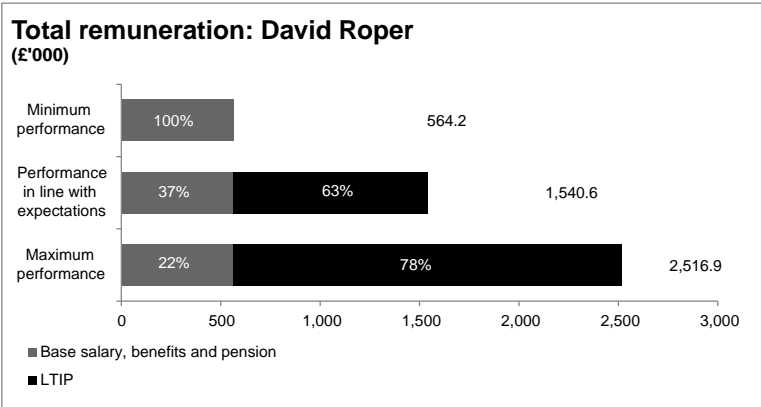
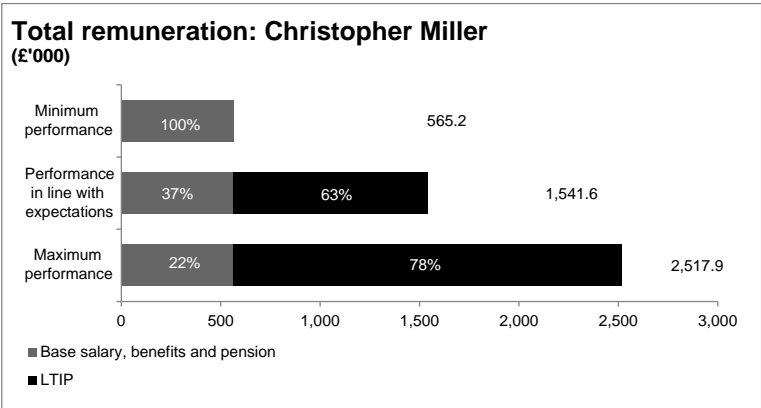
Illustration of the application of Directors' remuneration policy

In illustrating the potential reward under the policy set out in this Directors' Remuneration Report, the following assumptions have been made:

- **Minimum performance:** fixed elements of remuneration only (base salary effective from 1 January 2017, and benefits and pension rate as set out in the single figure table for the year ended 31 December 2016 in the Company's Directors' Remuneration Report for that year).
- **Performance in line with expectations:** fixed elements of remuneration as above, plus bonus of 50% of salary (other than in the case of Christopher Miller and David Roper who do not participate in the annual bonus arrangements), plus an amount in relation to the executive Directors' entitlements under the 2017 Incentive Plan, as described below.
- **Maximum performance:** fixed elements of remuneration as above, plus bonus of 100% of salary (other than in the case of Christopher Miller and David Roper who do not participate in the annual bonus arrangements), plus an amount in relation to the executive Directors' entitlements under the 2017 Incentive Plan, as described below.

The executive Directors' options under the 2017 Incentive Plan will deliver to them part of the growth in value of the Company from May 2017 to May 2020 (or an earlier trigger date determined in accordance with the Articles). Accordingly, the value of participation in the 2017 Incentive Plan cannot be expressed as a multiple of salary. Therefore, we have included for each executive Director below a value based on the estimated Black Scholes option pricing model value per 2017 Incentive Share (£756 as at the last practical date before the

finalisation of the policy) multiplied by the number of options over 2017 Incentive Shares to be granted to each executive Director in 2017 (2,583 in the case of each of Messrs Miller and Roper and 2,833 in the case of each of Messrs Peckham and Martin). For performance “in line with expectations”, 50% of this value is shown. For “maximum performance”, 100% of this value is shown.



Recruitment remuneration policy

When agreeing a remuneration package for the appointment of a new executive Director, the Remuneration Committee will apply the following principles:

- the package will be sufficient to attract the calibre of Director required to deliver the Company’s strategy;
- the Remuneration Committee will seek to ensure that no more is paid than is necessary; and
- in the next Annual Report on Remuneration after an appointment, the Remuneration Committee will explain to shareholders the rationale for the arrangements implemented.

In addition to the policy elements set out in the table on pages 19 to 20, the Remuneration Committee retains discretion to make appropriate remuneration decisions outside the standard policy to meet the individual circumstances of the recruitment, including discretion to include any other remuneration component or award. The Remuneration Committee does not intend to use this discretion to make a non-performance related incentive payment (for example a “golden hello”). In this regard, elements that the Remuneration Committee may consider for the purposes of a remuneration package for the recruitment of a new executive Director include but are not limited to the following:

<u>Element</u>	<u>Approach</u>
Incentive remuneration opportunity	<p>The Remuneration Committee’s intention is that a new executive Director’s incentive remuneration opportunity will consist of:</p> <ul style="list-style-type: none"> • an annual bonus opportunity of up to 100% of salary (i.e. in line with the ordinary opportunity under the policy); and • awards of options under the 2017 Incentive Plan from the date of joining at a level up to the level that applies to other executive Directors under the policy. <p>If a new executive Director did not participate in the 2017 Incentive Plan, the Remuneration Committee may award a maximum annual bonus opportunity of up to 300% of salary until such time as that new executive Director participated in a long term incentive arrangement.</p>
Compensation for forfeited remuneration arrangements	<p>The Remuneration Committee may make awards on hiring an external candidate to buy out remuneration arrangements forfeited on leaving a previous employer. In doing so, the Remuneration Committee will have regard to relevant factors, including any performance conditions attached to such arrangements, the form of those awards (e.g. cash or shares) and the time frame of such awards. While such awards are excluded from the maximum level of variable remuneration referred to on pages 24 to 25, the Remuneration Committee’s intention is that the value awarded (as determined by the Remuneration Committee on a fair and reasonable basis) would be no higher than the expected value of the forfeited arrangements. Where considered appropriate, buyout awards will be subject to forfeiture or clawback on early departure.</p>
Notice period	<p>The notice period will be the same as the Company’s ordinary policy of 12 months.</p>
Relocation costs	<p>Where necessary, the Company will pay appropriate relocation costs. The Remuneration Committee will seek to ensure that no more is paid than is necessary.</p>
Retirement benefits	<p>The maximum contribution of 15% of salary referred to in the policy table on page 20 will apply to any new executive Director. However, the Remuneration Committee reserves the right to pay the contribution into any pension arrangement or to pay the amount as a supplement to base salary in lieu of a pension arrangement.</p>

Under the applicable reporting regulations, the Company is required to set out the maximum level of variable remuneration that may be granted when agreeing the components of a remuneration package for the appointment of Directors, excluding any remuneration constituting compensation for the forfeiture of any

variable remuneration award with a previous employer. In order to provide sufficient flexibility in recruitment scenarios and to reflect the fact that the value of participation in the 2017 Incentive Plan depends on shareholder value created and so cannot be expressed as a multiple of salary, the Remuneration Committee has set this maximum level of variable remuneration as:

- if the executive Director participates in the 2017 Incentive Plan:
 - one time’s salary; plus
 - awards of options under the 2017 Incentive Plan from the date of joining at a level up to the level that applies to other executive Directors under the policy; and
- if the executive Director does not participate in the 2017 Incentive Plan, three times’ salary.

Incentive awards and “buyout” awards may be granted under new plans as permitted under the Listing Rules, which allow for the grant of awards to facilitate, in unusual circumstances, the recruitment of a Director.

Where a position is filled internally, any ongoing remuneration obligations or outstanding variable pay elements shall be allowed to continue in accordance with their subsisting terms.

The remuneration package for a newly-appointed non-executive Director would normally be in line with the structure set out in the policy table for non-executive Directors.

Service contracts and policy on payments for loss of office

The Company’s policy is for executive Directors to be employed on the terms of service agreements, which may be terminated by either the Director or the Company on the giving of not less than 12 months’ written notice (subject to certain exceptions).

The principles on which the determination of payments for loss of office will be approached are summarised below:

<u>Provision</u>	<u>Treatment upon loss of office</u>
Payment in lieu of notice	If the Company terminates an executive Director’s employment with immediate effect, a payment in lieu of notice may be made. This may include base salary, pension contributions and benefits.
Annual bonus	This will be at the discretion of the Remuneration Committee on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of the executive Director’s departure and their contribution to the business during the bonus period in question. Typically, bonus amounts will be pro-rated for time in service up to termination.
2017 Incentive Plan	<p><i>Good leavers</i></p> <p>If an executive Director holding 2017 Incentive Shares ceases employment in circumstances where he is a “good leaver”, the Remuneration Committee may (other than where he is a good leaver as a result of his resignation in connection with a Change of Control) require that he transfer some or all of the “unvested portion” of his 2017 Incentive Shares for the lower of their nominal value and the price of an Ordinary Share. An executive Director who is a good leaver shall be entitled to retain any 2017 Incentive Shares that he is not required to transfer.</p> <p>If an executive Director holding an option over 2017 Incentive Shares ceases employment in circumstances where he is a good leaver (other than where he is a good leaver as a result of his resignation in connection with a Change of Control), at the Remuneration Committee’s discretion some or all of the unvested portion of any such options may lapse.</p> <p><i>Bad leavers</i></p> <p>If an executive Director holding 2017 Incentive Shares ceases employment in circumstances where he is a “bad leaver”, every 2017 Incentive Share he holds shall, unless the Remuneration Committee</p>

determines otherwise, be transferred for the lower of their nominal value and the price of an Ordinary Share.

If an executive Director holding an option over 2017 Incentive Shares ceases employment in circumstances where he is a bad leaver, unless the Remuneration Committee determines otherwise, any such options shall lapse.

For these purposes:

- a participant will be a “bad leaver” if he ceases employment for any reason other than death, permanent ill-health, permanent disability; resignation in connection with a Change of Control, retirement at or above age 65 or the termination of his employment without cause;
- a participant will be a “good leaver” if he ceases employment other than as a bad leaver;
- the “unvested portion” of the participant’s 2017 Incentive Shares means any such shares acquired pursuant to an option granted within less than one year of the date on which that participant becomes a leaver and the “unvested portion” of the participant’s unexercised options to acquire 2017 Incentive Shares means any option granted within less than one year of the date on which that participant becomes a leaver.

Other payments The Remuneration Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director’s office or employment.

In appropriate circumstances, payments may also be made in respect of legal fees.

The overall amount of any payment made in respect of a loss of office will not exceed the aggregate of any payment in lieu of notice and any payment made in respect of annual bonus, as referred to above. Entitlements in respect of the 2012 Incentive Plan and the 2017 Incentive Plan will be dealt with in accordance with their terms and, were the Company to make an award on recruitment of an executive Director to buy out remuneration arrangements forfeited on leaving a previous employer, the leaver provisions for that award would be determined at the time of grant.

In the event of a Change of Control or winding-up of the Company, the trigger date for the 2017 Incentive Shares shall arise and the participants’ entitlements in respect of their options or 2017 Incentive Shares shall be determined in accordance with the terms of the options or the Articles, as relevant.

If an executive Director ceases to be employed by the Company, the Company is wound up or there is a Change of Control, the options granted pursuant to the 2012 Incentive Plan, and any 2012 incentive shares issued in accordance with the plan, will be dealt with in accordance with their terms.

Statement of consideration of employment conditions elsewhere in the Company

Salary, benefits and performance-related awards provided to employees are taken into account when setting policy for executive Directors’ remuneration. There is no consultation with employees on Directors’ remuneration.

Statement of consideration of shareholder views

The Company is committed to ongoing engagement and seeks the views of major shareholders in advance of amending its remuneration policies. The policies are set to reflect the Company’s commercial strategy.

Payments outside the policy in this report

The Remuneration Committee retains discretion to make any remuneration payments and payments for loss of office outside the policy set out in this report:

- where the terms of the payment were agreed before the policy came into effect;
- where the terms of the payment were agreed at a time when the relevant individual was not a Director of the Company and, in the opinion of the Remuneration Committee, the payment was not in consideration of the individual becoming a Director of the Company; and/or
- to satisfy contractual commitments under legacy remuneration arrangements.

For these purposes, “payments” includes the satisfaction of awards of variable remuneration and, in relation to an award over shares, the terms of the payment are “agreed” at the time the award is granted. Any such payment shall include the satisfaction of the exercise of any options under the 2012 Incentive Plan (or the cancellation of any such option in exchange for a cash payment as described in the Circular dated 7 April in connection with the Company’s General meeting to be held on 11 May 2017) and the delivery of the value attributable to the 2012 incentive shares in accordance with the Company’s articles of association.

Melrose Industries PLC

(Incorporated in England and Wales with registered number 09800044)

NOTICE OF GENERAL MEETING

NOTICE IS GIVEN that a General Meeting of Melrose Industries PLC (the “**Company**”) will be held at Barber-Surgeons’ Hall, Monkwell Square, Wood Street, London EC2Y 5BL at 11:15 a.m. on 11 May 2017 (or as soon thereafter as the Annual General Meeting of the Company has been concluded), for the purpose of considering and, if thought fit, passing the following resolutions (the “**Resolutions**”), of which Resolutions 1, 4 and 5 will be proposed as special resolutions and Resolutions 2 and 3 will be proposed as ordinary resolutions:

Resolution 1 (Special Resolution)

THAT, conditional upon and with effect immediately following Admission, the Articles of Association of the Company be amended by deleting the existing articles 4 to 9 (inclusive) in their entirety and substituting for them the new articles 4 to 9 (inclusive) set out below. For the purposes of this Resolution 1, “**Admission**” means admission of the new ordinary shares in the capital of the Company arising from the crystallisation of the 2012 Incentive Shares of £1 each in the capital of the Company, having the rights set out in article 6 of the Articles of Association of the Company, to the Official List maintained by the Financial Conduct Authority and to trading on the main market of the London Stock Exchange becoming effective in accordance with Listing Rules of the Financial Conduct Authority and the rules of the London Stock Exchange respectively:

“4. Share Capital

The ordinary shares, the B Shares and each series of the Incentive Shares in the capital of the Company are separate classes of shares and carry the respective rights and privileges and are subject to the respective provisions and restrictions set out in these articles.

5. Rights attaching to Incentive Shares

- (A) The Company may create and issue multiple series of Incentive Shares with differing Commencement Dates and Trigger Dates, in each case as set out in and approved by a resolution of the Company. Each Commencement Date and Trigger Date shall be the same date in the same month of the relevant year. Each such series shall be designated by the year in which the Commencement Date occurs and all references to “Incentive Shares” in articles 4 to 9 shall apply to each series of Incentive Shares so approved.
- (B) The Incentive Shares have a nominal value of £1 per share. The Incentive Shares do not confer a right to be paid a dividend, other than in accordance with article 6(A).
- (C) On a return of capital on winding-up (but not otherwise), the holders of the Incentive Shares shall be entitled to participate in the Company’s assets available for distribution among the members in accordance with article 6(N).
- (D) The holders of the Incentive Shares have the right to receive notice of and to attend general meetings of the Company, but do not have the right to vote thereat.

6. Further rights attaching to Incentive Shares

- (A) (i) The holders of the Incentive Shares shall, not later than 20 business days after the Trigger Date, be paid a dividend which shall be equal to such amount per Incentive Share (the “**Dividend Amount**”) as equals the Conversion Number (as determined in accordance with article 6(C) for the Trigger Date, except that if the Conversion Number is a fraction it shall not be rounded up) multiplied by SP (as determined in accordance with article 6(C)). To the extent that a dividend is paid in respect of Incentive Shares in accordance with this article 6(A)(i), those shares shall, with effect from the payment date, be re-designated (and in any event shall have the same rights (and no other rights)) as non-voting deferred shares, having the rights set out in article 6(K).
- (ii) Prior to the Trigger Date, the remuneration committee of the board may in its absolute discretion determine that the Dividend Amount to be paid on the Incentive Shares should be reduced in whole or in part. If the Dividend Amount is reduced in whole, the Incentive Shares shall be converted in accordance with the remaining provisions of this article 6. If the Dividend Amount is reduced in part the Incentive Shares shall be converted in accordance with the remaining provisions of this article 6

save that the Conversion Number shall be reduced to reflect the amount of the dividend per share to be paid. The Company shall serve a notice on the holders of such Incentive Shares (a “**conversion notice**”) informing such holders of the determination by the remuneration committee of the board and such notice shall be served within five business days of such determination.

- (iii) If the Company is unable (for whatever reason) to pay the full amount of the dividend which is due as provided for in articles 6(A)(i) or 6(A)(ii) or if the Company decides not to pay such a dividend or if the remuneration committee of the board determines in accordance with article 6(A)(ii) that the Incentive Shares should be converted but the Company fails to convert the Incentive Shares in accordance with article 6(A)(ii) and the remaining provisions of this article 6, then the Company shall procure that such Incentive Shares shall be purchased, not later than 25 business days after the Trigger Date, by an employee share ownership trust nominated by the Company for a consideration per Incentive Share equal to the Dividend Amount (as defined in article 6(A)(i)).
- (B) If a conversion notice is served in accordance with article 6(A)(ii), or pursuant to articles 6(M) or 6(N), on conversion each Incentive Share shall convert into such number of fully paid ordinary shares as equals the Conversion Number (save where a dividend has been paid on the Incentive Shares in accordance with article 6(A)(ii) in which case the Conversion Number shall be reduced to reflect the amount of any dividend per share actually paid), provided that for the purposes of such conversion (other than a conversion pursuant to articles 6(M) or 6(N)) the Conversion Number multiplied by NBS shall not exceed the sum of (i) 5 per cent. of the aggregate number of ordinary shares in issue on the Commencement Date, plus (ii) 5 per cent. of any additional ordinary shares issued or created by the Company on or after the Commencement Date, and to the extent that the Conversion Number multiplied by NBS does exceed that amount, the amount of any excess shall be paid by way of a dividend to the holders of the Incentive Shares immediately prior to the conversion.
- (C) Subject to articles 6(G) and 6(M) and subject always to adjustment in accordance with article 6(O) and/or 6(P), the “**Conversion Number**” equals:

$$\frac{\frac{7.5}{100} \times [(SP \times N) - IC] \times \frac{1}{SP}}{NBS}$$

Where:

- N = the number of ordinary shares in issue on the relevant Trigger Date
- NBS = 50,000
- SP = the price certified by Investec Investment Banking (or other brokers for the time being of the Company) to be the average closing middle market quotation (in pounds sterling) of an ordinary share in the capital of the Company as derived from the Daily Official List for the 40 business days prior to the Trigger Date
- IC = the invested capital (in pounds sterling) relating to the ordinary shares, being the sum of the Indexed Capital for each month in which there is either an Ordinary Share Cost or a Return from (and including) the month in which the relevant Commencement Date for the Incentive Shares occurs up to (and including) the month in which the relevant Trigger Date for the Incentive Shares occurs (and for these purposes the Ordinary Share Cost for the first month shall be the deemed market capitalisation of the Company as at the business day immediately preceding the relevant Commencement Date for the Incentive Shares based on the price certified by Investec Investment Banking (or other brokers for the time being of the Company) to be the average closing middle market quotation (in pounds sterling) of an ordinary share in the capital of the Company as derived from the Daily Official List for the 40 business days up to and including the business day immediately preceding the relevant Commencement Date)

and where:

- (i) the “**Indexed Capital**” for a month means the Net Capital for that month multiplied by the relevant Index Adjustment for the period from the commencement of that month until the commencement of the month in which the Trigger Date falls
- (ii) the “**Net Capital**” for a month means the Ordinary Share Cost in that month or the Returns in that month or, in the event that there is both, the net amount of Ordinary Share Cost minus Returns, and which for the avoidance of doubt may be zero or a negative number

- (iii) “**Ordinary Share Cost**” means the total amount (in pounds sterling) paid up (as to nominal value and any premium) on any allotment of ordinary shares in the period, provided that (I) if any part of such amount paid up on any ordinary share is paid up otherwise than in cash the amount paid up on that share shall be deemed to be the price certified by Investec Investment Banking (or other broker for the time being of the Company) to be the average closing middle market quotation (in pounds sterling) of an ordinary share as derived from the Daily Official List for the ten business days immediately preceding the announcement of a transaction, where the terms of the transaction are agreed at the time of such announcement (and would require an announcement to be made pursuant to Chapter 10 of the Listing Rules were such Chapter to be applicable) or where the announcement constitutes an announcement of a firm intention to make an offer, pursuant to Rule 2.7 of the Takeover Code (or its equivalent in other jurisdictions), and (II) if any ordinary shares shall be allotted credited as fully paid by way of capitalisation of profits or reserves the amount paid up on such shares shall be excluded from the calculation of Ordinary Share Cost
- (iv) “**Returns**” means the sum of any dividends or distributions of any kind paid or made on or in respect of the ordinary shares, including (I) a purchase of any of the Company’s own shares (whether or not out of the proceeds of any fresh issue of shares or out of unrealised profits), (II) a reduction of share capital by repaying paid up share capital, and (III) any other returns of capital in the period, whether in cash or otherwise and however described, excluding:
- (a) any issue of shares credited as fully paid to shareholders by way of capitalisation of profits or reserves which is to be, or may at the election of the shareholders be, issued instead of the whole or any part of a cash dividend which the shareholders concerned would or could otherwise have received; and
- (b) any issue of shares credited as fully paid to the shareholders (or as they may direct) by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve)
- (v) “**Index Adjustment**” =

$$\left[\left(\frac{RPI_2}{RPI_1} \right)^{\frac{12}{t}} + 0.02 \right]^{\frac{t}{12}}$$

Where:

RPI₁ is the RPI for the month immediately preceding the start of the period referred to in (i) above (rounded to one decimal place)

RPI₂ is the RPI for the month immediately preceding the end of the period referred to in (i) above (or, if that has not been published by the close of business on the Trigger Date, then the RPI for the latest month for which the RPI has been published) (rounded to one decimal place)

“t” is the number of months between the two months used to determine RPI₁ and RPI₂ (and for the avoidance of doubt, there are 12 months between the same months in consecutive years)

“RPI” means the UK Retail Prices Index (all items) published by the Office for National Statistics (or any successor Government department) (January 1987 = 100) or any index which may replace the RPI, as selected by the remuneration committee of the board of the Company

references to a month are to a calendar month.

For the avoidance of doubt, where “IC” is a negative number the formula in this article 6(C) shall continue to be applicable.

In the event that the calculation in this article 6(C) results in a Conversion Number being less than one, the Conversion Number for the purposes of these articles shall be one.

- (D) In these articles, the “**Trigger Date**” is (except where article 6(M) or 6(N) applies) the date specified as such for the relevant Incentive Shares in a resolution of the Company to authorise an issue of Incentive Shares for the purposes of these articles. If, however, the Company’s annual accounts for its preceding financial period (or where applicable a summary financial statement derived from the annual accounts) have (or has) not been published by the last day of the month falling two months before the Trigger Date,

the Trigger Date is two months after the date on which the annual accounts (or where applicable the summary financial statement) are (or is) so published. If the Company shall change its accounting reference date from 31 December, there shall be substituted for the specified Trigger Date, the date falling five months after the new accounting reference date. Other than pursuant to articles 6(M) and 6(N), the Trigger Date as calculated in accordance with this article 6(D) cannot be changed. In these articles, the “**Commencement Date**” is the date specified as such for the relevant Incentive Shares in a resolution of the Company to authorise an issue of Incentive Shares for the purposes of these articles.

- (E) The ordinary shares to which a holder is entitled on conversion shall not rank for any dividends or other distributions paid or made on ordinary shares prior to the relevant Trigger Date but shall rank for any paid or made thereafter, and subject thereto they shall rank *pari passu* in all respects and form one class with the ordinary shares then in issue.
- (F) If a conversion notice is served in accordance with article 6(A)(ii), on or within 20 business days after the Trigger Date (the “**conversion date**”), the board shall convert the Incentive Shares into the ordinary shares and deferred shares (if any) arising on conversion and, as soon as reasonably practicable thereafter, shall issue to the holders of such ordinary shares without charge certificates for the ordinary shares and deferred shares (if any). In the meantime, transfers of ordinary shares shall be certified against the register.
- (G) Except for the purposes of article 6(A)(i), where the Conversion Number is a fraction, the Conversion Number shall be rounded up to the nearest whole number provided that where a holder of Incentive Shares converts more than one Incentive Share at the same time, then for the purposes of determining the number of ordinary shares to which a holder is entitled and whether a (and if so what) fraction of an ordinary share arises, the number of ordinary shares arising on the conversion of Incentive Shares by any one holder shall first be aggregated.
- (H) Where a block admission arrangement is in place with a relevant investment exchange, the Company will use its best endeavours to procure that the aggregate Conversion Number of ordinary shares shall, upon conversion, be admitted to the relevant investment exchange. Where a block admission arrangement is not in place or is insufficient to deal with the aggregate Conversion Number, the Company will apply for admission to the relevant investment exchange for that number of ordinary shares for which there are insufficient ordinary shares available under a block admission arrangement to satisfy the aggregate Conversion Number. The Company shall prepare and use its best endeavours to issue any listing particulars and other documents that may be required to be issued in respect of any ordinary shares arising on conversion pursuant to the rules of any relevant investment exchange.
- (I) The board may in its absolute discretion from time to time decide the manner in which Incentive Shares are to be converted, subject to the provisions of the articles and the Act, and for the avoidance of doubt may decide to effect conversion of Incentive Shares partly in one manner and partly in another.
- (J) Without prejudice to article 6(I), the board may, pursuant to the authority given by the adoption of these articles and without the requirement for any further resolution of the Company or of the holders of any class of shares, elect to effect conversion, in whole or in part, by sub-division, in which case each Incentive Share to be converted shall, pursuant to the authority granted by the adoption of this article, be sub-divided and re-designated into:
 - (i) such number of ordinary shares of the same nominal amount as the ordinary shares of the Company at such time as the board determines (subject to the limitation on timing set out in article 6(F)), equal to (or no greater than) the Conversion Number; and
 - (ii) a non-voting deferred share with a nominal value equal to the balance of such share, having the rights set out in article 6(K) (a “**deferred share**” and, together, the “**deferred shares**”).
- (K) The deferred shares shall not confer the right to be paid a dividend or to receive notice of or to attend or vote at a general meeting. On a winding-up, after the distribution of the first £10,000,000,000 of the assets in accordance with article 5(B), the holders of the deferred shares (if any) shall be entitled to receive an amount equal to the nominal value of such deferred shares *pro rata* to their respective holdings. The deferred shares shall not, save as referred to in this article 6(K), be transferable. Conversion of an Incentive Share is deemed to confer irrevocable authority on the board at any time to do all or any of the following without obtaining the sanction of the holder of any or all of the deferred shares:
 - (i) to appoint a person to execute on behalf of each holder of deferred shares an instrument of transfer for or an agreement to transfer (or both) all or some of the deferred shares, without making a payment to the holder, to such person as the board may decide, as custodian;

- (ii) to purchase all or some of the deferred shares (subject to the provisions of the Act) for a price of one penny for all the deferred shares purchased, without obtaining the sanction of the holder;
- (iii) for the purposes of any such purchase, to appoint any person to execute on behalf of the holder of deferred shares a contract for the sale to the Company of any such deferred shares by him or her; and
- (iv) to cancel all or any of the same so purchased in accordance with the Act.

Pending the transfer or purchase the Company may retain the certificates for the deferred shares.

- (L) Without prejudice to article 6(I), and notwithstanding the provisions of article 125, the board may, without the requirement for any further resolution of the Company or of the holders of any class of shares, (I) elect to effect conversion, in whole or in part, by way of the capitalisation of profits or reserves (including a share premium account, capital redemption reserve, merger reserve and profit and loss account), whether or not available for distribution, (II) appropriate the sum to be capitalised to any one or more holders of Incentive Shares and whether or not in proportion to the nominal amounts of shares held by them, and apply that sum on such holders' behalf in or towards paying up in full unissued ordinary shares of a nominal amount equal to that sum, and to allot the shares to such holders or as they may direct. Immediately upon such allotment, the Incentive Shares to be converted at any one time and held by such holder shall, if conversion is effected in whole pursuant to this article 6(L), pursuant to the authority given by the adoption of these articles and without the requirement for any further resolution of the Company, be re-designated as non-voting deferred shares having the rights set out in article 6(K).
- (M) If, prior to the payment of the dividend provided for in articles 6(A)(i) and 6(A)(ii), the conversion of the Incentive Shares into ordinary shares pursuant to article 6(A)(ii) or the purchase of the Incentive Shares pursuant to article 6(A)(iii), as the case may be, the Company becomes aware that, as a result of an offer made to all holders of ordinary shares (or all holders of ordinary shares other than the offeror and any associates of the offeror, as defined in section 988 of the Act) to acquire all or some of the ordinary shares (including any such offer implemented by way of a court approved scheme of arrangement under Part 26 of the Act) the right to cast more than 50 per cent. of the votes that may ordinarily be cast on a poll at a general meeting has or will become vested in the offeror and those associates, the Company shall give notice to all holders of Incentive Shares forthwith upon it becoming so aware and such notice shall also state that the Dividend Amount shall be reduced in whole and that a conversion shall occur in accordance with article 6(A)(ii). Subject to article 8(C), the Incentive Shares shall convert in accordance with article 6(A)(ii) and such number of ordinary shares as is equal to the whole of the Conversion Number shall be allotted pursuant to article 6(L), without having regard to the limitation on the Conversion Number multiplied by NBS, which is imposed pursuant to article 6(B), and such ordinary shares shall be entitled to participate in the offer resulting in the change of control of the Company (the "**Change of Control**"), alongside the existing ordinary shares. Such conversion shall occur upon the Change of Control or as soon thereafter as the board becomes aware of the Change of Control having occurred, in accordance with this article 6, except that for such purposes the "Trigger Date" shall be the date of, but immediately prior to, the Change of Control and "SP" shall be the offer price per ordinary share as calculated on the date of the Change of Control. In the event that part or all of the offer price is not in cash, the remuneration committee shall determine the value of the non-cash element, having been advised by an investment bank of repute that such valuation is fair and reasonable. For the avoidance of doubt, any offer so made (including any offer implemented by way of a court approved scheme of arrangement under Part 26 of the Act) which results in the Company being controlled by a new company ("**New Company**") in which at least 90 per cent. of the shares in the New Company are held by substantially the same persons who immediately before the offer was made were shareholders in the Company shall not constitute a Change of Control of the Company and no "Trigger Date" shall be deemed to have occurred provided that the Incentive Shares have been exchanged or are exchangeable for new incentive shares in the New Company on substantially the same terms as the Incentive Shares.
- (N) If, prior to the payment of the dividend provided for in articles 6(A)(i) and 6(A)(ii), the conversion of the Incentive Shares into ordinary shares pursuant to article 6(A)(ii) or the purchase or redemption of the Incentive Shares pursuant to article 6(A)(iii), as the case may be, either (I) a resolution for voluntary winding-up of the Company is passed or (II) a winding-up order is made by the court in relation to the Company, subject to article 8(C), the Incentive Shares shall be treated as if they had converted in accordance with this article 6, without having regard to the limitation on the Conversion Number multiplied by NBS, which is imposed pursuant to article 6(B), on the date of, and with effect immediately prior to, the resolution for the voluntary winding-up of the Company being passed or the date of the winding-up order being made, as the case may be (in either case, the "**operative date**") except that for

such purposes the “Trigger Date” shall be the operative date. In that event, the holder thereof shall be entitled to be paid, in satisfaction of the amount due in respect of his Incentive Shares, a sum equal to the amount to which he would have been entitled on a return of capital on a winding-up if he had been the holder of the ordinary shares to which he would have become entitled on such conversion.

- (O) If a doubt or dispute arises concerning the calculation of the Conversion Number or any component part of the formulae for calculating the Conversion Number, the board shall refer the matter to the auditors and their certificate as to such calculation shall be conclusive and binding on all concerned.
- (P) In the event that any provision (or combination of provisions) in this article 6 or any future change to the capital structure of the Company produces, or is likely to produce, a Conversion Number which appears to the remuneration committee to be an anomalous result or there shall be quantified material information known to the remuneration committee in relation to the current financial position of the Company that is not in the public domain that would, in the reasonable opinion of the remuneration committee, produce an anomalous result if such information were in the public domain, the remuneration committee may make such adjustments to the method of calculating the Conversion Number as it considers appropriate to ensure that conversion is fair and reasonable, and as an investment bank of repute shall have confirmed in writing to be fair and reasonable so far as the ordinary shareholders are concerned.

7. Permitted Transfer of Incentive Shares

- (A) Subject to article 7(B), the holders of the Incentive Shares may not transfer, charge, encumber, grant any option over or otherwise dispose of any Incentive Share or any interest therein.
- (B) A holder of an Incentive Share may at any time transfer an Incentive Share:
 - (i) with the prior written consent of the board (and where such consent is given in relation to a transfer to (a) the trustees of a trust of which the only beneficiaries (and the only people capable of being beneficiaries) are the holder of the Incentive Shares who established the trust and who is transferring the relevant shares, the holder’s spouse and/or the holder’s lineal descendants by blood or adoption; and/or (b) a company whose voting control is and will remain until the Trigger Date under the control of the holder, the holder’s spouse and/or the holder’s lineal descendant(s) by blood or adoption; and/or (c) his spouse; and/or (d) his lineal descendants by blood or adoption, such transferees being “permitted transferees”); or
 - (ii) when required by articles 7(C) or 8(B).
- (C) If a transferee of any shares under article 7(B) shall at any time cease to be a permitted transferee in relation to the original holder of the relevant Incentive Shares (the “**relevant shares**”), it shall be the duty of the trustees and/or the person holding the relevant shares to notify the board in writing that such event has occurred and the trustees and/or the person shall be bound to execute a stock transfer form and to do such other things as may be necessary to transfer the relevant shares at the price per share (if any) for which they were acquired, to the original holder (who shall be bound to acquire the relevant shares) and, if they or he fails to do so, the directors may authorise any director to execute any stock transfer form and to do such other things as may be necessary or desirable to transfer the relevant shares on behalf of the trustees and/or the person holding the relevant shares pursuant to this article 7(C).
- (D) The board may require from any person lodging a share transfer such information and evidence as the board thinks fit regarding any matter which they may reasonably deem relevant for the purposes of article 7(B) and may refuse to register the relevant transfer until they have received information and evidence satisfactory to them.

8. Compulsory transfer or conversion

If the holder of any Incentive Shares or the original holder of any Incentive Shares transferred pursuant to article 7, if an employee of the Company or any of its subsidiary undertakings, ceases to be an employee, if a director of the Company, ceases to be a director, and if an employee and director, ceases to be both, in each case other than by reason of death, permanent ill health, permanent disability, his resignation in connection with a Change of Control, retirement at or above 65 years of age or the termination of his employment or directorship without cause, he shall be deemed to be a “**bad leaver**”.

If the holder of any Incentive Shares or the original holder of any Incentive Shares transferred pursuant to article 7, if an employee of the Company or any of its subsidiary undertakings, ceases to be an employee,

if a director of the Company, ceases to be a director, and if an employee and director, ceases to be both, and such person is not a bad leaver, he shall be deemed to be a “**good leaver**”.

- (A) Unless the remuneration committee shall in its absolute discretion determine otherwise, if the holder of any Incentive Shares or the original holder of any Incentive Shares transferred pursuant to article 7 becomes a bad leaver then the provisions of articles 8(A) to 8(C) shall apply in respect of:
- (i) the bad leaver; and
 - (ii) any permitted transferee of such bad leaver and any subsequent transferee of such shares (together the “**compulsory transferors**”).
- (B) Each Incentive Share held by the compulsory transferors shall within the period of 20 business days following the bad leaver ceasing to be an employee or director, be transferred to the trustees of an employee share ownership plan trust, or such person as the board may direct, at a price per share equal to the lower of the nominal value per Incentive Share and the closing middle market quotation of an ordinary share in the capital of the Company as derived from the Daily Official List on the business day prior to the transfer, and the compulsory transferors shall be bound to execute a stock transfer form and to do such other things as may be necessary to transfer the relevant shares and if they fail to do so, the directors may authorise any director to execute any stock transfer form and to do such other things as may be necessary or desirable to transfer the relevant shares on behalf of the compulsory transferors.
- (C) Following a cessation of employment or directorship causing this article 8 to apply to particular Incentive Shares, those Incentive Shares may not be transferred pursuant to article 7(B)(i). In the event of a Change of Control between the date of cessation of employment or directorship and the relevant transfer date in article 8(B), those Incentive Shares shall convert in accordance with article 6(M) except that each such Incentive Share shall convert into one fully paid ordinary share and one fully paid deferred share with a nominal value equal to the balance of the nominal value of the Incentive Share (the “**bad leaver conversion rate**”). In the event of either (I) a resolution for a voluntary winding-up of the Company being passed or (II) a winding-up order being made by the court in relation to the Company, in either case between the date of cessation of employment or directorship and the relevant transfer date in article 8(B), those Incentive Shares shall convert in accordance with article 6(N) except that each such Incentive Share will convert in accordance with the bad leaver conversion rate.
- (D) Save in circumstances where a holder of Incentive Shares becomes a good leaver as a result of his resignation in connection with a Change of Control, the remuneration committee may, in its absolute discretion, require that a good leaver and any person to whom such good leaver has transferred Incentive Shares pursuant to article 7 and any subsequent transferee of such shares shall be deemed to be a compulsory transferor and that the provisions of article 8(B) shall apply to such good leaver or transferee as the case may be, in respect of some or all of the Unvested Portion of the Incentive Shares held by such good leaver, as they apply to a bad leaver.

Any determination by the remuneration committee in accordance with article 8(D) shall be notified to such good leaver within three months of such person becoming a good leaver.

For the purposes of this article 8(D), “**Unvested Portion**” shall mean any Incentive Shares for which the holder was granted an option to subscribe within less than one year prior to the date on which that holder becomes a good leaver.

9. Restrictions

If Incentive Shares remain capable of being converted into ordinary shares, the Company shall not, except with the consent in writing of the holders of at least three-fourths of the nominal amount of the Incentive Shares then in issue or with the sanction of a special resolution passed at a separate meeting of the holders of the Incentive Shares then in issue validly held in accordance with the provisions of these articles (I) create, allot or issue any further Incentive Shares in the capital of the Company; or (II) pass a resolution varying any of the special rights attached to the Incentive Shares.”

Resolution 2 (Ordinary Resolution)

THAT, subject to and conditional on the passing of Resolutions 1 and 3, for the purposes of Articles 4 to 9 of the Articles of Association of the Company, the creation of a series of Incentive Shares with a Commencement Date of 31 May 2017 and a Trigger Date of 31 May 2020, to be referred to as “2017 Incentive Shares”, be and is approved and the directors of the Company be and are generally authorised to

exercise all the powers of the Company from time to time to grant options to subscribe for 2017 Incentive Shares on the terms set out in the circular sent to shareholders of the Company dated 7 April 2017 provided that the aggregate number of options when added to the number of 2017 Incentive Shares in issue does not exceed 50,000 and to allot 2017 Incentive Shares in the Company up to an aggregate nominal amount of £50,000.

Resolution 3 (Ordinary Resolution)

THAT, subject to and conditional on the passing of Resolutions 1 and 2, the Directors' remuneration policy, as set out in the annex to the circular sent to shareholders of the Company dated 7 April 2017, be and is approved and shall take effect immediately after the conclusion of the General Meeting.

Resolution 4 (Special Resolution)

THAT, in addition to the authority provided for in Resolution 5 and in Resolution 16 of the resolutions proposed at the annual general meeting of the Company, to be held at 11:00 a.m. on 11 May 2017, the Company be and is generally and unconditionally authorised to make one or more off-market purchases (within the meaning of section 693A of the Act) of ordinary shares and/or incentive shares and/or deferred shares in the capital of the Company for the purposes of or pursuant to an employees' share scheme provided that:

- (A) the maximum aggregate number of ordinary shares authorised to be purchased is 188,674,658 and the maximum aggregate number of incentive shares authorised to be purchased is 50,000 and the maximum aggregate number of deferred shares authorised to be purchased is 50,000;
- (B) the minimum and maximum price which may be paid for an ordinary share is the lower of:
 - (i) the nominal value of an ordinary share at the time of such purchase; and
 - (ii) the closing middle market quotation of an ordinary share as derived from the Daily Official List of the London Stock Exchange on the business day prior to the day on which the ordinary share is purchased;
- (C) the minimum and maximum price which may be paid for an incentive share is the nominal value of an incentive share at the time of such purchase;
- (D) the minimum price which may be paid for a deferred share is 1/50,000 penny and the maximum price which may be paid for a deferred share is the nominal value of a deferred share at the time of such purchase;
- (E) this authority shall expire on the day immediately preceding the fifth anniversary of the date on which this resolution is passed;
- (F) the Company may make a contract of purchase of ordinary shares and/or incentive shares under this authority which would or might be executed wholly or partly after the expiry of this authority, and may make a purchase of ordinary shares and/or incentive shares in pursuance of any such contract; and
- (G) any ordinary shares and/or incentive shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time.

Resolution 5 (Special Resolution)

THAT:

- (a) the Company be authorised in accordance with section 694 of the Companies Act 2006 (the "Act") to purchase certain unlisted deferred shares of £1 each in the capital of the Company, having the rights set out in Article 6(K) of the Articles of Association of the Company (the "**2012 Deferred Shares**"), pursuant to the terms of a draft contract to be entered into between the Company and the Company Secretary relating to such purchase and under which the aggregate consideration is one penny (the "**2012 Deferred Shares Contract**") and that the terms of the 2012 Deferred Shares Contract be and are approved, provided that the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 or the date that is 15 months from the passing of this resolution, whichever is the earlier; and

(b) upon the purchase of the 2012 Deferred Shares by the Company, the 2012 Deferred Shares be cancelled in accordance with section 706 of the Act and the amount of the Company's issued share capital be diminished accordingly.

Registered office:

11th Floor The Colmore Building,
Colmore Circus Queensway,
Birmingham,
B4 6AT

By order of the Board:

Jonathon Crawford
Company Secretary

7 April 2017

Notes:

1. The holders of Ordinary Shares and 2012 Incentive Shares in the capital of the Company are entitled to attend the General Meeting, but only holders of Ordinary Shares are entitled to vote. A member entitled to attend and vote may appoint a proxy to exercise all or any of its rights to attend, speak and vote at a general meeting of the Company. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A proxy need not be a member of the Company.
2. A blue form of proxy is enclosed with this notice. To be effective, the form of proxy must be completed and returned, together with any power of attorney or authority under which it is completed or a certified copy of such power or authority, so that it is received by the Company's registrars at the address specified on the form of proxy not less than 48 hours (excluding any part of a day that is not a working day) before the time for holding the meeting. Returning a completed blue form of proxy will not preclude a member from attending the meeting and voting in person.
3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him and the shareholder by whom he was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in paragraphs 1 and 2 can only be exercised by shareholders of the Company.
4. To be entitled to attend and vote at the General Meeting (and for the purposes of the determination by the Company of the number of votes they may cast), members must be entered on the Company's register of members by 6:30 p.m. on 9 May 2017 (or, in the event of an adjournment, on the date which is two days before the time of the adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. As at 6 April 2017 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 1,886,746,589 Ordinary Shares, carrying one vote each. Therefore, the total voting rights in the Company as at 6 April 2017 are 1,886,746,589.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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 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.
7. 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 instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11:15 a.m. on 9 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. 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 message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system

providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001.
10. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
11. Any member holding Ordinary Shares attending the meeting has the right to ask questions. The Company must cause to be answered 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.
12. A copy of this notice, and other information required by section 311A of the Act, can be found at www.melroseplc.net.
13. You may not use an electronic address provided in either this Notice of General Meeting or any related documents (including the Proxy Form) to communicate with the Company for any purposes other than those expressly stated.
14. You may register your vote online by visiting Equiniti's website at www.sharevote.co.uk. In order to register your vote online, you will need to enter the Voting ID, Task ID and your Shareholder Reference Number which are set out on the enclosed blue Form of Proxy. The return of the blue Form of Proxy by post or registering your vote online will not prevent you from attending the General Meeting and voting in person, should you so wish. Alternatively, shareholders who have already registered with Equiniti's online portfolio service, Shareview, can appoint their proxy electronically by logging on to their portfolio at www.shareview.co.uk using your usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on screen instructions. A proxy appointment made electronically will not be valid if sent to any address other than those provided or if received after 11:15 a.m. on 9 May 2017.

