

20 June 2008

**Dear Shareholder,**

## **Annual General Meeting of MITIE Group PLC (MITIE)**

We are pleased to notify you that our seventy-second Annual General Meeting (AGM) will be held at The Merchants' Hall, The Promenade, Clifton Down, Bristol, BS8 3NH on Thursday, 31 July 2008 at 12 noon. The formal notice of the AGM and the details of resolutions on which you can vote are set out on pages 3 to 5.

This document contains information relating to the business to be transacted at the AGM including some changes to MITIE's Long-Term Incentive Plan and Savings Related Share Option Scheme as well as providing you with information concerning some amendments to MITIE's Articles of Association proposed as a result of the implementation of certain provisions of the Companies Act 2006. We therefore request that you read this document carefully.

We appreciate that you may not be able to attend the AGM but you may register a proxy vote by completing the enclosed Proxy Form. You may, if you wish, appoint your proxy electronically at our registrar's website ([www.computershare.com/uk/voting/mit](http://www.computershare.com/uk/voting/mit)). To do this you will need your Shareholder Reference Number (SRN) and your Personal Identification Number (PIN). Both of these are shown on your proxy form.

Your directors believe that the proposals described in this document are in the best interests of MITIE and its shareholders as a whole and unanimously recommend that you vote in favour of the resolutions. The directors intend to do so in respect of their own beneficial holdings.

You will also find enclosed our Annual Report and Accounts and Corporate Responsibility Report for the year ended 31 March 2008. These detail our financial, operational and corporate responsibility achievements in the last financial year and your Board's plans for the future direction of MITIE. I hope that you find them informative and interesting.

At the forthcoming AGM I will be retiring from the board after six years as non-executive Chairman and handing over to Roger Matthews. Roger has served on the board since December 2006 and I am sure that MITIE will go from strength to strength under his chairmanship.

Yours sincerely,

**David C Ord**

Chairman

## WHAT YOU NEED TO DO:

### 1 Please read Section A - Notice of AGM and associated explanatory notes

Complete proxy form (if required)

This sets out the business for the AGM. You can attend and vote in person or by completing and returning the enclosed Proxy Form.

### Please read Section B - Review of share-based incentive schemes

One of the most important features of MITIE, and one of the pillars on which the board believes MITIE's success is built, is its entrepreneurial culture. This culture has resulted in MITIE's key senior executives and staff holding approximately 7.6% of MITIE's issued shares – strongly aligning the interests of MITIE shareholders and its employees. The Board strongly believes that employee share ownership should continue to be encouraged and is in the interests of all of MITIE's shareholders. The Remuneration Committee has therefore recently conducted a comprehensive review of MITIE's employee share plans. The review concluded that there should be changes to MITIE's Long-Term Incentive Plan and Savings Related Share Option Scheme. Section B sets out these changes in detail.

### Please read Section C - Amendments to Articles of Association

The introduction of certain changes to company law as a result of the implementation of the Companies Act 2006 requires certain amendments to MITIE's Articles of Association. Further details of the proposed changes are set out in section C.

### 2 Electronic Communications

Complete eTree form (if required)

Last year's AGM approved changes to the Articles of Association allowing MITIE to communicate with shareholders electronically. The new regime has already led to more efficient communications with shareholders - meeting the needs of the investor community as well as significantly reducing the environmental and cost impacts of paper usage and printing. Enclosed are further details on how you can elect to receive MITIE communications electronically. The Board wishes to encourage all shareholders to elect for full electronic communication by completing Option A on the enclosed eTree letter if they have not already elected to receive electronic communications from MITIE.

### 3 Please return all completed forms to:

**Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY**

The form(s) must be received by Computershare no later than 12 noon on 29 July 2008. Completion of a Proxy Form does not prevent a member from attending the AGM and voting in person.

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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about what action to take, you are advised to seek your own advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately.

If you have sold or otherwise transferred all of your ordinary shares in MITIE Group PLC, please pass this document and the accompanying Proxy Form to the purchaser or transferee or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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### SECTION A

#### NOTICE OF SEVENTY-SECOND ANNUAL GENERAL MEETING OF MITIE GROUP PLC

Notice is hereby given that the seventy-second Annual General Meeting (AGM) of MITIE Group PLC (MITIE) will be held at The Merchants' Hall, The Promenade, Clifton Down, Bristol, BS8 3NH on Thursday, 31 July 2008 at 12 noon for the following purposes:

#### ORDINARY BUSINESS

*To consider and, if thought fit, pass the following ordinary resolutions:*

##### **Resolution 1**

That the Annual Report and Accounts for the year ended 31 March 2008 and the Reports of the Directors and Auditors thereon be received.

##### **Resolution 2**

That the Directors' Remuneration Report for the year ended 31 March 2008 contained in the Annual Report and Accounts be approved.

##### **Resolution 3**

That a final dividend for the year ended 31 March 2008 of 3.2p per ordinary share of 2.5p be declared.

##### **Resolution 4**

That Ishbel Jean Stewart Macpherson be re-elected as a director.

##### **Resolution 5**

That David Stannard Jenkins be re-elected as a director.

##### **Resolution 6**

That Suzanne Claire Baxter be re-elected as a director.

##### **Resolution 7**

That Deloitte & Touche LLP be reappointed as Auditors of MITIE until the conclusion of the next general meeting before which accounts are laid, and that their remuneration be determined by the directors.

## SPECIAL BUSINESS

To consider and, if thought fit, pass resolutions 8 to 10 as ordinary resolutions:

### **Resolution 8 – Amendments to the Long-Term Incentive Plan**

That the amendments to the rules of the MITIE Group 2007 Long-Term Incentive Plan (LTIP) described in Section B of this booklet and contained in the amended rules of the LTIP produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to do all such acts and things as they consider appropriate to implement these amendments.

### **Resolution 9 – Amendments to the MITIE Group PLC Savings Related Share Option Scheme rules**

That the amendments to the rules of the MITIE Group PLC 2001 Savings Related Share Option Scheme (SAYE Scheme) described in Section B of this document and contained in the amended rules of the SAYE Scheme produced in draft to the meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to do all such acts and things as they consider appropriate to implement these amendments, including without limitation any requirements imposed by Her Majesty's Revenue & Customs.

### **Resolution 10 – General power of allotment**

That the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all the powers of MITIE to allot relevant securities (subject to the restrictions set out below) in substitution for any existing authority conferred on the directors under the said section 80 provided that this authority shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of MITIE, whichever comes first, save that MITIE may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired. The power to allot under this resolution shall be limited to the allotment of no more than 118,691,000 shares (which equates to a nominal value of £2,967,275, representing 37.5% of the issued share capital of MITIE as at 31 March 2008).

To consider and if thought fit, pass Resolutions 11 to 13 as special resolutions:

### **Resolution 11 – Dis-application of pre-emption rights**

That, subject to the passing of resolution 10, the directors be generally empowered, pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of the said Act) for cash as if sub-section (1) of section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited:-

- a) to the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares of 2.5p each where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any legal or practical problems under the laws of any overseas territory or the requirements of any regulatory body or any stock exchange in any territory or in relation to fractional entitlements; and,
- b) otherwise than pursuant to the sub-paragraph (a) above, the allotment of equity securities up to an aggregate value of 15,841,116 ordinary shares (which equates to an aggregate nominal value of £396,028) representing 5% of the issued share capital of MITIE as at 31 March 2008;

where such authorities shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of MITIE, whichever comes first, save that MITIE may before such expiry make an offer or agreement that would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

### **Resolution 12 – Purchase of own shares**

That MITIE be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 2.5p each in MITIE, on such terms and in such manner as the board of directors of MITIE may from time to time determine, provided that:

- a) the maximum number of ordinary shares that may be purchased is 31,682,321 (equating to 10% of the issued share capital of MITIE as at 31 March 2008);
- b) the minimum price that may be paid for an ordinary share is 2.5p, exclusive of expenses; and

- c) the maximum price that may be paid for an ordinary share is the higher of (i) 105% of the average middle market value of an ordinary share (as derived from the Daily Official List of the London Stock Exchange) on the five business days immediately preceding the day on which the ordinary share is purchased and (ii) the value of an ordinary share calculated on the basis of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of ordinary shares on the trading venue where the purchase is carried out, exclusive of expenses; and,
- d) this authority shall expire 15 months after the date of the passing of this resolution or at the conclusion of the next AGM of MITIE, whichever comes first, except in relation to purchases of shares, the contract for which was concluded before the expiry of this authority and which might be executed wholly or partly after such expiry.

### **Resolution 13 – Amendments to Articles of Association**

That the amended articles produced to the meeting and signed by the Chairman of the meeting for the purposes of identification be and they are hereby adopted by MITIE as its Articles of Association in substitution for its existing articles of association.

Registered Office:

35 Duchess Road  
Rutherglen  
Glasgow  
G73 1AU

Registered number: SC 19230

**By order of the Board**

**Richard Allan**  
**Group Company Secretary**

**20 June 2008**

### Ordinary resolutions

Resolutions passed as 'ordinary resolutions' require more than 50% of voting members to vote in favour of the resolution.

### Report and Accounts (resolution 1)

The directors of MITIE must present the Annual Report and Accounts to the meeting.

### Directors' remuneration report (resolution 2)

In line with legislation, this vote will be advisory and in respect of the overall remuneration package and not specific to individual levels of remuneration. You can find this report on pages 52 to 58 of the Annual Report and Accounts.

### Declaration of a dividend (resolution 3)

A final dividend can only be paid following approval by shareholders at a general meeting. A final dividend of 3.2p per ordinary share is recommended by the directors for payment to shareholders who are on the register at close of business on 4 July 2008. If approved, the date of payment of the final dividend will be 4 August 2008. An interim dividend of 2.8p per ordinary share was paid on 8 February 2008.

### Re-election of directors (resolutions 4 to 6)

MITIE's Articles of Association (Articles) require that one third of its directors (excluding a first appointee) retire each year and that every director who is subject to rotation retires at least once every 3 years. The Articles further state that any director appointed during the year must stand for re-election at the next AGM. The Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2006 similarly requires that all directors should be subject to election at the first annual general meeting after appointment and to re-election thereafter at intervals of no more than 3 years. The corporate governance report provides further detail on the review of board composition and performance conducted by the Board. As part of this evaluation the Board has considered the performance of each director seeking re-election. The Chairman has concluded that each non-executive director is independent in character and judgement and confirms that each makes an effective and valuable contribution to the Board and demonstrates clear commitment to the role.

**Ishbel Jean Stewart Macpherson (non-executive director):** Ishbel was appointed as a non-executive director in July 2005 and was formally elected as a director of the Company on 27 July 2006. She has therefore served for three years as a director of the Company although only two years have elapsed since the date of her first formal election as a director. Ishbel is standing for re-election under the rule that requires one third of all directors to stand for re-election each year. Ishbel was previously an investment banker for over 20 years specialising in UK mid market corporate finance and previously held positions at Dresdner Kleinwort Wasserstein and Hoare Govett. Ishbel is non-executive director of Hydrogen Group plc, Speedy Hire plc and GAME Group plc. Ishbel is chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

**David Standard Jenkins (non-executive director):** David was appointed as a non-executive director in March 2006 and was formally elected as a director of the Company on 27 July 2006. He has therefore served for just over two years as a director of the Company. David is standing for re-election under the rule that requires one third of all directors to stand for re-election each year. David was previously a senior Partner with Deloitte & Touche LLP in London having spent over 20 years in Assurance and Advisory Services. David is Chairman of Development Securities PLC and non-executive director of Renewable Energy Systems Limited. He is a Governor of Downe House School. Subject to re-election, David will assume the role of chairman of the Audit Committee and Senior Independent Non-executive Director. He is a member of the Nomination Committee and the Remuneration Committee.

**Suzanne Claire Baxter (Group Finance Director):** Suzanne was appointed as Group Finance Director of MITIE Group PLC in April 2006 and was formally elected as a director of the Company on 27 July 2006. She has therefore served for just over two years as a director of the Company. She is standing for re-election under the rule that requires one third of all directors to stand for re-election each year. Suzanne previously held a number of commercial and operation roles with Serco Group plc. Suzanne holds a seat on the Opportunity Now Advisory Board, a part of the Business in the Community (BitC) organisation with a focus on workplace diversity, and is also a member of the Finance and Risk Committee of BitC.

## **Re-appointment and remuneration of Auditors (resolution 7)**

Resolution 7 proposes the reappointment of Deloitte & Touche LLP as auditors of MITIE and authorises the directors to set their remuneration.

## **Amendments to employee share-based incentive schemes (resolutions 8 and 9)**

Resolutions 8 and 9 ask shareholders to approve a certain amendments to MITIE's existing Long-Term Incentive Plan (LTIP) and the Savings Related Share Option Scheme. Further explanatory details are set out in Section B of this booklet.

## **Directors' authority to allot shares (resolution 10)**

The directors may only allot ordinary shares or grant rights over ordinary shares if authorised to do so by the shareholders. This authority is renewed at every AGM and accordingly this resolution authorises the directors to allot additional shares. There are no current plans to exercise this authority other than in connection with employee share incentive schemes and acquisitions of minority held interests in MITIE subsidiary companies. However, the directors believe that they should continue to have this authority to enable such allotments to take place to finance business opportunities as they arise. This resolution is in line with standard practice and guidelines. MITIE does not currently hold any treasury shares. The power will be limited to one third of the issued share capital plus 13,083,271 shares representing MITIE's outstanding commitment as at 31 March 2008 in respect of options granted under MITIE's SAYE and Executive Share Option Schemes (equating to 37.5% of the issued share capital of MITIE as at 31 March 2008, or 41.6% of the issued share capital if the maximum number of ordinary shares were purchased under the authority proposed in resolution 12).

## **Special resolutions**

Resolutions passed as 'special resolutions' require 75% or more of voting members to vote in favour of the resolution.

## **Dis-application of pre-emption rights (resolution 11)**

If the directors wish to allot un-issued shares (and other equity securities) for cash, under section 89(1) of the Companies Act 1985 (1985 Act), the directors are required to first offer such shares to existing shareholders in proportion to their existing holdings – i.e. on a pre-emptive basis. There may be occasions, however, when the directors will need the flexibility to issue ordinary shares without a pre-emptive offer to existing shareholders. This cannot be done under the 1985 Act unless the shareholders have first waived their pre-emption rights. Resolution 12 therefore, authorises the directors to allot securities for cash up to a maximum 15,841,116 ordinary shares which equates to 5% of MITIE's issued ordinary share capital as at 31 March 2008. This resolution is in line with standard practice and guidelines.

## **Authority to purchase own shares (resolution 12)**

The 1985 Act permits a company to purchase its own shares provided that the purchase has been authorised by shareholders in a general meeting. In certain circumstances, it may be advantageous for MITIE to purchase its own shares and this resolution seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of MITIE will be taken into account when exercising this authority. As an alternative to cancellation, MITIE may hold in treasury any of its own shares that it purchases pursuant to the 1985 Act and the authority conferred by this resolution. This gives MITIE the ability to re-issue treasury shares quickly and cost-effectively and provides MITIE with greater flexibility in the management of its capital base. It also gives MITIE the opportunity to satisfy employee share option scheme awards with treasury shares. Once held in treasury, MITIE is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of MITIE's assets may be made to MITIE in respect of the treasury shares. This resolution is proposed as a special resolution and specifies the maximum number of ordinary shares that may be acquired (equating to 10% of MITIE's issued share capital as at 31 March 2008) and the maximum and minimum prices at which they may be bought.

## **Amendments to MITIE's Articles of Association (resolution 13)**

Shareholders are asked this year to approve various amendments to MITIE's constitution, details of which are set out in Section C of this booklet.

## Proxy appointment

Only holders of ordinary shares are entitled to attend and vote at this meeting. Any member entitled to attend may appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a member of MITIE. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A Proxy Form is enclosed with this notice and instructions for completion are shown on the form. To be effective, duly completed Proxy Forms must be received by MITIE's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion of a Proxy Form does not preclude a member from attending the meeting and voting in person. Alternatively you may, if you wish, appoint your proxy electronically at our registrar's website ([www.computershare.com/uk/voting/mit](http://www.computershare.com/uk/voting/mit)). To do this you will need your Shareholder Reference Number (SRN) and your Personal Identification Number (PIN). Both of these are shown on your Proxy Form.

If you are a person who has been nominated by a shareholder to enjoy information rights in accordance with s146 of the Companies Act 2006, you do not have the right to appoint a proxy but you may have a right under an agreement between you and the shareholder by whom you were nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the shareholder as to the exercise of voting rights.

## Corporate representative

In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that: (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b), if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (a) above.

## CREST voting

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting or any adjourned meeting following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time for receipt of proxy appointments specified above. For this purpose, the time receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsor or voting service providers should note that the CRESTCo does not make available special procedures in CREST for particular messages. 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 takes) 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 service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. Pursuant to Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 MITIE may treat as invalid a CREST Proxy Instruction if MITIE has actual notice that:

- the information in the instruction is correct;
- the person expressed to have sent the instruction did not in fact send it; or
- the person sending the instruction on behalf of the relevant shareholder did not have the authority to do so.

**Entitlement to vote at AGM**

MITIE, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the Register of Members of MITIE as at 6.00pm on 29 July 2008 shall be entitled to attend and/or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after 6.00pm on 29 July 2008 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

**Availability of documents**

The following documents will be available for inspection at the registered office and London office of MITIE (83 Baker Street, London W1U 6LA) during normal business hours on any weekday (public holidays excepted) from the date of this Notice until the date of the meeting, and at the place of the AGM from 11.45am until its conclusion:

- the register of directors' interests in the share capital of MITIE;
- copies of the directors' service agreements and letters of appointment;
- the Memorandum and Articles of Association of MITIE together with the proposed amendments to the Articles; and,
- a copy of the draft amendments to the rules of the LTIP and SAYE Scheme (marked to show the proposed amendments).

## SECTION B

### REVIEW OF SHARE-BASED INCENTIVE PLANS

This Section provides further explanation relating to the proposed amendments to the LTIP and SAYE schemes.

#### Conduct of review

Following the introduction of the MITIE Group 2007 Long Term Incentive Plan (LTIP) and the changes made to the MITIE Group 2001 Savings Related Share Option Scheme (known as the 'Save as you Earn' or SAYE Scheme) last year, the Remuneration Committee (the Committee) has recently conducted a review of the ongoing effectiveness and structure of long-term share-based incentivisation for MITIE employees. The Committee has been advised by Kepler Associates during this review process.

The Committee continues to believe that employee share ownership should continue to be encouraged and reinforced through MITIE's share schemes - widening employee share ownership and building upon the dynamic entrepreneurial equity-based culture at MITIE. The Committee believes that this will contribute to driving continuing strong performance at MITIE, motivating sustained out-performance, and more fully aligning the interests of shareholders and employees.

In reviewing the effectiveness of the LTIP, the Committee has considered the impact of the maximum awards that can be made under the scheme. Full vesting of LTIP awards under the current performance conditions requires EPS growth of RPI+14% p.a. which the Committee considers to be stretching (particularly so in the current environment) and to be one of the highest full-vesting performance requirements among comparable companies. The Committee has also borne in mind that, going forward, executive directors will not, as has historically been the case at MITIE, have the opportunity to participate in the MITIE Model. The Committee believes that both the Chief Executive and Group Finance Director have consistently delivered upper quartile performance and wishes to ensure that their remuneration package can deliver upper quartile rewards for such performance in the future. The Committee has also determined that there is a need for an amendment to the exceptional maximum awards under the LTIP to provide more flexibility, for example when recruiting.

As part of its review of the LTIP, the Committee considered the introduction of a second performance target for awards over 100% of an executive director's base salary. The Committee decided against this, believing that it would dilute the clarity and simplicity of the LTIP scheme and that a single target is more in keeping with the other successful equity-based incentive schemes that operate within the Group. However, the Committee has determined that it is appropriate to increase the level of shares required to be held by any executive director who is granted an LTIP award of more than 100% of their base salary.

The Committee has also reviewed the take-up and lapse rates in the SAYE Scheme. In light of MITIE's workforce profile and the impact of cyclical tendering, the Committee believes that the current term of five years is too long and results in a high lapse rate. The Committee has noted that general market practice is to offer a three year savings scheme. The Committee has considered whether three and five year schemes should be offered alongside each other, but has determined that simplicity in communicating the SAYE Scheme to employees is paramount in ensuring high levels of take-up and that accordingly only a 3 year term SAYE Scheme should be offered.

#### Amendments to the LTIP

It is proposed that: (a) the individual limit in relation to the market value of shares awarded in any financial year pursuant to the LTIP is increased from 100% to 200% of base salary; and (b) the provision allowing the Committee to grant awards over shares with a market value of up to 200% of base salary in any financial year where the Committee believes that exceptional circumstances exist is increased to 250% of base salary. The Committee has no immediate intention to make any use of this latter power.

It is anticipated that grants will be made under the LTIP prior to 30 June 2008 (according to the requirements for the timing of awards set out in the LTIP rules) and that these grants will include awards to certain individuals that exceed the current maximum award levels but comply with the proposed maximum award levels. The element of such awards that exceeds the current level of maximum award will be conditional upon shareholders approving resolution 8 at the AGM. If resolution 8 is not passed such awards shall lapse automatically on the date of the AGM.

If Resolution 8 is passed, the shareholding policy for executive directors will be amended by the Committee to require that the level of shares required to be held by any executive director who is granted an LTIP award of more than 100% of their base salary is increased from 100% to 150% of base salary.

### **Amendments to SAYE Scheme**

It is proposed that in addition to the five year savings contract currently available, the SAYE Scheme rules are amended to allow a three year savings contract to be offered. This would require the eligible employees to make 36 monthly contributions (as opposed to 60 under the five year contract), on completion of which a bonus would be paid in the normal way. Whilst the SAYE Scheme rules would continue to contain the provisions relating to five year savings contracts, it is the Committee's current intent to offer only a three year savings contract. It is intended that grants will be made under the SAYE Scheme during a period following the AGM. In addition there will be some minor consequential and administrative amendments to the SAYE Scheme including the re-naming of the scheme from the 'MITIE Group PLC 2001 Savings Related Share Option Scheme' to the 'MITIE Group PLC 2001 SAYE Scheme'.

## SECTION C

### AMENDMENTS TO ARTICLES OF ASSOCIATION

Set out below is a summary of the provisions contained in the new Articles of Association (New Articles) which represent the principal changes from those contained in the existing Articles of Association (Existing Articles).

#### **Articles which duplicate statutory provisions**

Provisions in the Existing Articles which reflect similar provisions contained in the Companies Act 2006 are in the main amended (to the extent that this is not already the case) to bring them into line with the Companies Act 2006. Certain examples of such provisions, including provisions as to convening and notice of general meetings and proxies, are detailed below.

#### **Form of resolution**

The Existing Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

#### **Convening extraordinary and annual general meetings**

The provisions in the Existing Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular, a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. The New Articles reflect the fact that the chairman of a general meeting no longer has a casting vote.

#### **Votes of members**

Under the Companies Act 2006 proxies are entitled to vote on a show of hands, whereas under the Existing Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, or more than 24 hours before the time for the taking of a poll, in each case, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares of the appointing shareholder. Multiple corporate representatives may be appointed.

#### **Conflicts of interest**

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he/she has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way which they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

#### **Directors' indemnities and loans to fund expenditure**

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

A copy of the New Articles and a copy of the Existing Articles marked to show changes being proposed by Resolution 13 are available for inspection from the date of this letter until the close of the forthcoming Annual General Meeting at MITIE's London offices at 83 Baker Street, London W1U 6LA and at the Annual General Meeting itself and for at least 15 minutes prior to and during the meeting.