

IVIS Plc

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AGM For The Year Ending 26/11/2007

-  **Proxy Report**
-  **CC Report**
-  **ESG Report**

Company Details

FTSE Sector:	AEROSPACE & DEFENCE	Meeting Date:	15/11/2007
FTSE Rank:	87	Proxy Date:	13/11/2007
Registrars:	ABI	Venue:	
Secretary:	ANDREAS WILKINSON	Meeting Time:	11:30
Contact No:	080 8080 0808		

Resolutions **Note**

- ***** **Ordinary Resolutions** *****
1. To receive and adopt the report and accounts ✓
 2. To approve the Remuneration Report Note 1
 3. To declare a final dividend ✓
 4. To re-elect Marmaduke Blenkinsop (Executive) Note 1
 5. To re-elect Douglas Grosvenor (Non-Executive, R) ✓
 6. To re-elect Louisa Cruise (Non-Executive, A, R) ✓
 7. To approve the reappointment of Check LLP as auditors and to authorise the Directors to fix their remuneration ✓
 8. To approve an authority to allot shares under S80 CA85 ✓
- ***** **Special Resolutions** *****
9. To approve an authority to disapply preemption rights under S95 CA85 Note 2
 10. To approve an authority to purchase the company's own shares under S166 CA85 ✓
- ***** **Ordinary Resolutions** *****
11. To authorise the payment of political donations and to incur political expenditure Note 3
 12. To approve the SAYE Plan Note 4
 13. To approve amendments to the Articles of Association Note 5

Notes

A - Member of Audit Committee
R - Member of Remuneration Committee

Note 1 - Approval of the Remuneration Report
The Remuneration Committee comprises four NEDs, including Chris Cordy who was first appointed to the Board in 1997. Advice was received from Bow Lane Consultants. Key features of remuneration are :

Remuneration Summary

Note: Basic salaries are as disclosed in the emoluments table of the Annual Report, percentages are IVIS approximations of basic salary.

Remuneration Policy

Target remuneration levels for the Executive Directors are set with reference to a group of 30 FTSE companies being ranked in the 15 places either side of Ivis Plc in terms of market capitalisation. The Committee has regard to pay levels and practices in the Company's principle international competitors and in companies in the USA and South Africa comparable to its divisions in those countries. In the last financial year, Messrs McDougall (Chief Executive) and Blenkinsop (Finance Director) received 26.2% and 30.9% respectively of total remuneration as fixed, and 73.8% and 69.1% as variable.

Basic Salary

Base salaries are set with reference to the median of the comparator group outlined above, and take into account Group and personal performance. With effect from 1 January 2007, Murdo McDougall, Chief Executive and the highest-paid director, received a 9.6% increase taking his base salary to £740,000. Marmaduke Blenkinsop, Finance Director, received £440,000: a 6% increase.

Annual Bonus

Annual bonuses are capped at 100% of salary and are dependent upon adjusted EPS growth over the previous year. For the year under review, up to 25% of the bonus for the Finance Director and other senior executives was subject to the achievement of personal objectives. Bonuses of up to 75% of salary are paid in cash, with payments in excess of this being paid in deferred shares and released after a further two years.

The Chief Executive received a maximum bonus, whilst the Finance Director received a bonus equating to approximately 71% of salary.

Long Term Incentives

2004 Performance Share Plan - Maximum total awards are 200% of salary, with performance dependent upon TSR relative to the FTSE 100 Index.

25% of an award vests at the median, rising on a straight-line basis to 100% vesting for performance at the upper quintile. In addition, the Committee must be satisfied that TSR performance reflects the underlying performance of the business. Parameters for this decision include market share, cost constraint and capital management.

Maximum awards were made during the year.

2004 Executive Share Option Plan - The maximum grant under the ESOP is 300% of basic salary, based on average EPS growth over the three year performance period relative to RPI.

25% of a grant will become exercisable for EPS growth of RPI+5% per annum, rising on a straight-line basis to 100% of a grant becoming exercisable for EPS growth of RPI+12% per annum.

There is no opportunity to retest. In the event of a change of control grants will be prorated for time and performance.

Messrs McDougall and Blenkinsop received maximum grants.

Shareholding Guidelines

The Chief Executive and other Executive Directors are expected to build a holding equal to at least 200% and 100% of salary respectively.

Pension

Messrs McDougall and Blenkinsop are entitled to 1/60th of eligible salary for each year of service through to the date at which they opted for enhanced protection on 6 April 2006. Since that date Murdo McDougall has received a salary supplement of 16.3%, with Marmaduke Blenkinsop receiving a supplement of 17.8% of salary.

Directors Service Contracts

No Director has a service contract providing for more than 12 months notice on termination.

TSR Performance

Since 31 December 2001, the Company has slightly outperformed the FTSE 100 Index. The graph below shows the correlation between short-term pay growth and TSR performance.

Source: Annual Report. 2004 rebased to 100, figures are IVIS approximations.

Conclusion

Overall levels of remuneration do not appear to be excessive with an appropriate balance struck between fixed and variable pay. EPS targets attached to the exercise of options appear to be suitably demanding.

STATUS: We do not consider any element of the report to be contentious.

Note 2 - Section 95 Authority

The Company is seeking an authority to disapply pre-emption rights over 5% of the issued share capital. There does not appear to be a statement assuring shareholders that in any three-year period no more than 7.5% of the issued share capital will be issued on a non pre-emptive basis.

Note 3 - EU Political Expenditure

The Company is seeking to renew the authority to make donations not exceeding £50,000 and to incur up to £50,000 in EU political expenditure in the coming year. The Company states that it remains their policy not to make donations to political parties and that they have no intention of using the authority for that purpose. However, it is due to the broad classification of "donation" under the PPER Act of 2000 that this authority is being sought.

Note 4 - Approval of the SAYE Plan

Normal provisions apply - no option may be granted at less than 80% of the then prevailing market price and monthly contributions are capped at £250. The scheme will operate with an overall 10% in 10-year limit governing all schemes.

Note 5 - Amendments to the Articles of Association

The Company are seeking shareholder approval to amend the Articles of Association in two material respects:

Electronic Communications - Approval is sought for the Company to use the website as a means of communicating with shareholders (as the default position) who do not request documentation in paper form. If approved the Company will consult individually with shareholders to establish by which means they wish to receive information. Those that opt for electronic communication will be informed when certain key information is available upon the website.

Directors- Indemnity - The amendments are required to reflect the changes to the Companies Act that came into effect in April 2005.

STATUS: To note

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Compliance Statements	Notes
Higgs Code	
1. Is there a narrative statement that adequately explains how the Company has applied the main and supporting principles of the Code?	✓
2. Has the Company made a statement in full compliance of the Code?	✓

Note 1 - Independence of Chris Cordy
The Company consider Mr Cordy to be independent, despite serving on the Board since January 1997.

Board Composition and Balance	Notes
3 a. Have the Chairman, Chief Executive and Senior Independent Director been identified? <i>Has the Senior Independent Director been identified?</i>	✓ ✗
3 b. Are these three separate people?	✓
3 c. Has the Chairman recently been appointed, if so, was his appointment in accordance with the requirements of the Code?	✓
3 d. Does the Senior Independent Director meet Higgs criteria of independence?	✓
4. Do independent NEDs comprise at least one half of the Board, when excluding the Chairman?	✓
5. Are procedures in place that enable the NEDs to develop an understanding of the views of major shareholders?	✓
6. Has the performance evaluation of the Board been explained? <i>Was the evaluation conducted internally?</i>	✓ ✓
7. Is there a Nominations Committee? <i>Are a majority of members on the Nominations Committee independent?</i> <i>Is its Chairman either the Chairman of the Board or a NED?</i> <i>Has the work of the Nominations Committee been described?</i>	✓ ✓ ✓ ✓ ✓
8. Is there a statement that all directors are subject to re-election every three years.	✓

Remuneration Packages and Procedures	Notes
9. Is the Remuneration Committee made up of at least three NEDs who meet Higgs criteria of independence?	✗ Note 2
10. Are notice periods contained within directors service contracts terminable upon one year or less?	✓

Note 2 - Composition of the Remuneration Committee
The four-person Committee includes Chris Cordy who was first appointed in January 1997.

Accountability and Audit	Notes
11. Have the directors stated that they have reviewed the system of internal controls?	✓
12. Does the Company have an internal control function?	✓
13. Is there an Audit Committee with at least three members confined to NEDs who meet Higgs criteria of independence?	✗
14. Has the Company stated that at least one member of the Committee has had recent and relevant experience?	✓ Note 4
15. Are audit fees equal or greater than non audit fees?	✓

Note 3 - Composition of the Audit Committee
The three person Committee includes Chris Cordy - See Note 1.

Note 4 - Recent and relevant experience
Refers to Louisa Cruise.

Supplementary Questions

Audit Fees (£):

Current Year	£850,000.00
Last Year	£700,000.00

Non-Audit Fees (£):

Current Year	£324,400.00
Last Year	£300,000.00

Highest Paid (£):

Director	£740,000.00
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Board Composition:

Executives	2
NEDs meeting Code Parameters of Independence	3
NEDs not meeting Code Parameters of Independence	1

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ESG Matters	Notes
1. Has the company made any reference to each of environmental, social and governance (ESG) matters? <i>Does the board takes these regularly into account?</i>	✓ ✓
2. Has the company identified and assessed significant risks and opportunities affecting its long and short term value arising from its handling of ESG matters?	✓
3. Does the annual report contain a forward-looking assessment of ESG and other risks facing the company?	✗
4. Does the annual report describe the role of the Board in overseeing risk management?	✓
5. Does the company state that it has adequate information for identification and assessment?	✗

Moderate Disclosure

Note 1 - Reference to ESG Matters

See pages 25 - 29 of the Annual Report and Accounts for a discussion of environmental and social issues; governance issues are discussed on pages 45 - 59.

Further information is available at www.ivis.co.uk

ESG Risks	Notes
6. Are systems in place to manage the ESG risks?	✓
7. Does the Remuneration Committee take account of the handling of ESG risks when setting performance targets?	✗
8. Does Directors' training include ESG matters?	✗
9. Does the company disclose significant short and long term risks and opportunities arising from ESG issues? <i>How many different risks/opportunities are identified by the company?</i>	✓ ✓
10. Are policies for managing risks to the company's value described?	✓
11. Does the company state whether it has followed ASB guidance on narrative reporting?	✗

Note 2 - Risks and Opportunities

The following issues are disclosed :

Environment - Climate change, carbon emissions, energy use, water usage, packaging, reuse, recycling, waste management.

Employment - Talent management, training and development, health, safety & wellbeing, equal opportunities, diversity.

Ethical - Suppliers, poverty, HIV/AIDS awareness and impact, human rights, transparency, whistle-blowing.

Community - Charitable donations, community projects.

ESG Compliance	Notes
12. Does the company produce KPIs on material ESG risks?	✓
13. Does the company produce KPIs on material ESG risks for each business unit?	✓
14. Does the company report on the effectiveness of the ESG strategy through a review of these KPIs?	✗
15. Are verification procedures described?	✗

Disclaimer

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