

Phoenix Group Holdings plc

PHOENIX 2018 DEFERRED BONUS SHARE SCHEME

Adopted by the Board of Phoenix Group Holdings plc on 31 October 2018

[Approved by shareholders at the General Meeting held on 28 November 2018]



The Scheme is a discretionary benefit offered by Phoenix Group Holdings plc for the benefit of its employees. Its main purpose is to increase the interest of the employees in the Company's long term business goals and performance through share ownership.

Shares purchased or received under the Scheme, any cash received under the Scheme and any gains obtained under the Scheme are **not** part of salary for any purpose (except to any extent required by statute).

The remuneration committee of the Board of Phoenix Group Holdings plc shall have the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

The detailed rules of the Scheme are set out overleaf.

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1. DEFINITIONS AND INTERPRETATION

1.1 In the Scheme, unless the context otherwise requires:

"**Admission**" means the admission of the issued ordinary share capital of the Company to the premium listing segment of the Official List of the FCA and to trading on the London Stock Exchange;

"**Annual Incentive Plan**" means the Phoenix Group Holdings plc Annual Incentive Plan or any other bonus scheme established by the Company from time to time;

"**Award**" means a Conditional Award or an Option;

"**Board**" means the board of directors of the Company or a duly authorised committee of the Board or a duly authorised person;

"**Bonus**" means the amount of any discretionary annual bonus to which an Eligible Executive may become entitled under the Annual Incentive Plan;

"**Cause**" means the termination of a Participant's employment by the Group Company that employs the Participant where the Group Company is entitled to terminate employment summarily and without notice;

"**Clawback**" means the reduction of elements of an individual's compensation and/or the obligation to repay amounts to a Group Member by an individual in accordance with Rule 15 in such manner and for such amounts as the Committee determines to be appropriate;

"**Committee**" means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rule 11 (*Takeovers and other corporate events*), the remuneration committee of the Board as constituted immediately before such event occurs;

"**Company**" means Phoenix Group Holdings plc (incorporated in England and Wales under company number 11606773);

"**Conditional Award**" means a conditional right to acquire Shares granted under the Scheme;

"**Control**" means control within the meaning of section 719 of ITEPA;

"**Dealing Restriction**" means any restriction on dealing in securities imposed by regulation, statute, order, directive or any code adopted by the Company as varied from time to time;

"**Early Vesting Date**" means the date of an event following which an Award may Vest (and in the case of an Option, be exercised) before the Employment Requirement Date, being either:

- (a) the date of death of a Participant referred to in Rule 10.5(*Death*); or
- (b) a date of notification referred to in Rule 11.1(*General offers*) or Rule 11.2 (*Schemes of arrangement and winding up*) or the date of Vesting referred to in Rule 11.3 (*Demerger and similar events*);

"**Eligible Executive**" means any person who is either:

- (a) an employee (including an executive director) of a Participating Company; or
- (b) a former employee (including an executive director) of a Participating Company;

"Employment Requirement Date" means the third anniversary of the Grant Date, or such later date specified by the Committee at the Grant Date as the employment requirement date;

"Employees' Share Scheme" has the meaning given by section 1166 of the Companies Act 2006;

"Grant Date" means the date on which an Award is granted;

"Group" means the Company and its Subsidiaries from time to time and the expression

"Group Member" shall be construed accordingly;

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003;

"London Stock Exchange" means London Stock Exchange plc or any successor thereto;

"Malus" means the reduction or forfeiture of an Award prior to its Vesting in accordance with Rule 15 in such manner and for such amounts as the Committee determines to be appropriate;

"Market Value" means in relation to a Share on any day:

- (a) if and so long as the Shares are admitted to listing by the UKLA, the lower of the two prices shown in the Daily Official List of the London Stock Exchange as the closing price of the Shares on that day plus one half of the difference between those two figures; or
- (b) if the price for Shares is not so quoted, such value of a Share as the Committee reasonably determines;

"Option" means a right to acquire Shares granted under the Scheme;

"Option Price" means the amount, if any, payable on the exercise of an Option;

"Participant" means a person who holds an Award including his personal representatives;

"Participating Company" means the Company or any Subsidiary of the Company;

"Pre-Clawback Vesting Amount" means the sum arrived at by:

- (a) taking the lower of the value of the Vested Shares subject to an Award on:
 - (i) Vesting in the case of a Conditional Award and exercise in the case of an Option;
 - (ii) the sale of such Shares (if any) with all Shares held by the Participant (whether or not acquired by him under the Scheme) allocated on a "first in first out" basis;
 - (iii) the date of the operation of Clawback;
- (b) deducting tax or social security actually incurred on such Vesting, exercise and/or sale except to the extent that the Committee may require an individual to take reasonable steps to recover such tax and/or social security in which case the amount reasonably expected to be recovered will be added back;

"Rule" means a rule of the Scheme;

"Scheme" means the Phoenix 2018 Deferred Bonus Share Scheme as amended from time to time;

"**Shares**" means fully paid ordinary shares in the capital of the Company;

"**Subsidiary**" means a body corporate which is a subsidiary (within the meaning of section 1159 of the Companies Act 2006);

"**Tax Liability**" means any amount of tax or social security contributions for which a Participant would or may be liable and for which any Group Member would or may be obliged to (or would or may suffer a disadvantage if it were not to) account to any relevant authority;

"**UKLA**" means the United Kingdom Listing Authority;

"**Vest**" means in relation to a Conditional Award the Shares in respect of the Award are released to the Participant in accordance with the provisions of this Scheme, and in relation to an Option the Award becomes exercisable in accordance with the provisions of this Scheme;

and **Vesting** and **Vested** shall be construed accordingly;

"**Vesting Date**" means the date on which an Award (or part thereof) Vests; and

"**Vested Shares**" means those Shares in respect of which an Award Vests.

- 1.2 Any reference in the Scheme to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.
- 1.3 The singular includes references to the plural and vice versa. Words denoting the masculine gender shall include the feminine.
- 1.4 Expressions in italics and headings are for guidance only and do not form part of the Scheme.

2. **ELIGIBILITY**

An individual is eligible to be granted an Award only if he is an Eligible Executive and he has participated in the Annual Incentive Plan for the preceding financial year.

3. **GRANT OF AWARDS**

3.1 **Terms of grant**

Subject to Rule 3.7 (*Timing of grant*) and Rule 4 (*Limits*), the Committee may resolve to grant an Award:

- (a) on the terms set out in the Scheme; and
- (b) subject to such additional terms as the Committee may specify

to any person who is eligible to be granted an Award under Rule 2 (*Eligibility*).

3.2 **Type of Award**

On or before the Grant Date, the Committee shall determine whether an Award will be a Conditional Award or an Option. If the Committee does not specify the type of an Award on or before the Grant Date then an Award will be an Option.

In the case of an Option, the Committee shall determine the Option Price (if any) on or before the Grant Date provided that the Committee may reduce or waive such Option Price on or prior to the exercise of the Option.

3.3 Number of Shares subject to an Award

The Committee may grant an Award in respect of such portion of an Eligible Executive's Bonus in respect of a financial year, as it shall determine in its absolute discretion. Such determination shall be made prior to any Eligible Executive having an unconditional right to payment of his Bonus in respect of that financial year.

The number of Shares which shall be subject to an Award ("**X**") shall be the number resulting from the following formula:

$$X = BA \div AMV$$

where:

'**BA**' means an amount equal to such percentage of an Eligible Executive's Bonus in respect of a financial year (before deduction of income tax and social security (employee and employer)) as the Committee has determined should be granted as an Award;

'**AMV**' is the average of the Market Value for a Share on the 3 consecutive dealing days selected by the Committee, commencing not earlier than the dealing day following the date on which the Company announces its annual results for the preceding financial year and ending not later than the Grant Date; and

'**X**' shall be rounded down to the nearest whole number of Shares if the formula gives a number of Shares which is not a whole number.

3.4 Award Certificate

The Committee may, in its absolute discretion, enter into a deed poll recording its intention to grant Awards and agreeing to be bound by the award certificates issued in such form as the Committee may determine from time to time. As soon as reasonably practicable following the Grant Date, the Committee shall procure the issue (either in hard copy or online) of an award certificate in respect of the Award and send it to the Participant. If the Committee has not entered into a deed poll prior to the granting of the Awards, the Committee shall procure that the award certificates are issued under the seal of the Company or otherwise to take effect as a deed.

3.5 Dividend Equivalent

- (a) Subject to Rule 3.5(b) below, in the case of an Award which is granted in the form of an Option or a Conditional Award, it shall be granted on terms that when it Vests, the number of Shares subject to the Award shall be increased by such number of Shares as could have been acquired with the amount of each cash dividend for which the dividend record falls between the Grant Date and the Vesting Date, in each case calculated using the Market Value on the day the Shares are first quoted ex-dividend in respect of that dividend. This Rule 3.5(a) shall not apply in respect of *dividends in specie* or such other dividends for which an adjustment is made under Rule 12 (*Adjustments*).
- (b) The Committee may decide at any time that in lieu of the number of additional Shares calculated under Rule 3.5(a) above, when a Participant acquires Vested Shares pursuant to the Scheme the Participant will also be paid the cash value of the number of additional Shares calculated pursuant to Rule 3.5(a) above with such cash value calculated on such reasonable basis as the Committee determines and paid subject to any withholding for any Tax Liability.

3.6 **Method of satisfying Awards**

Unless specified to the contrary by the Committee on the Grant Date, an Award may be satisfied:

- (a) by the issue of new Shares; and/or
- (b) by the transfer of treasury Shares; and/or
- (c) by the transfer of Shares (other than the transfer of treasury Shares).

The Committee may decide to change the way in which it is intended that an Award may be satisfied after it has been granted, having regard to the provisions of Rule 4 (*Limits*).

Any Group Member may provide money to the trustees of any trust or any other person to enable them or him to acquire Shares to be held for the purposes of the Scheme, or enter into any guarantee or indemnity for those purposes, to the extent not prohibited by section 682 of the Companies Act 2006.

3.7 **Timing of grant**

An Award (if any) will be granted on the fourth dealing day after the date on which the Company announces its results for the full financial year (notwithstanding that a Dealing Restriction may then apply).

An Award may also be granted:

- (a) in the period of 42 days following Admission;
- (b) in the period of 42 days beginning with the dealing day after the date on which the Company announces its results for any period; or
- (c) at any other time when the Committee considers that circumstances are sufficiently exceptional to justify its grant,

but an Award may not be granted after 12 December 2028 (that is, the expiry of the period of 10 years beginning with the date of Admission).

3.8 **Non-transferability and bankruptcy**

An Award granted to any person:

- (a) shall not be transferred, assigned, charged or otherwise disposed of (except on his death to his personal representatives) and any attempt to do so shall result in its lapse; and
- (b) shall lapse immediately if he is declared bankrupt.

3.9 **Right to renounce Awards**

A Participant may, by notice in writing to the Company within 30 days after the Grant Date, renounce (in whole but not in part) his rights under the Award. In such a case, the Award shall to that extent be treated, for the purpose of the Scheme, as never having been granted. No consideration shall be due for any such renunciation.

4. **LIMITS**

Scheme limit

4.1 5 per cent. in 10 years limit

An Award shall not be granted at any time if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 4.3) in the period of 10 years ending with that date under the Scheme and under any other discretionary share plan adopted by the Company or any other company under the Company's Control to exceed such number as represents 5 per cent. of the ordinary share capital of the Company in issue at that time.

4.2 10 per cent. in 10 years limit

An Award shall not be granted at any time if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 4.3) in the period of 10 years ending with that date under the Scheme and under any other Employees' Share Scheme adopted by the Company or any other company under the Company's Control to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

4.3 Meaning of "allocated"

For the purposes of Rule 4:

- (a) Shares are allocated:
 - (i) when an option, award or other contractual right to acquire unissued Shares or treasury Shares is granted;
 - (ii) where Shares are issued or treasury Shares are transferred otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Shares are issued or treasury Shares transferred;
- (b) any Shares which have been issued or which may be issued to any trustees to satisfy the exercise of any option, award or other contractual right granted under any Employees' Share Scheme shall count as allocated;
- (c) for the avoidance of doubt, existing Shares other than treasury Shares that are transferred or over which options, awards or other contractual rights are granted shall not count as allocated;
- (d) any Shares subject to Awards, options or other contractual rights to acquire Shares granted before the shares of Phoenix Group Holdings were admitted to trading on the Premium List of the London Stock Exchange on 5 July 2010 shall not count as allocated.

For the purpose of this Rule 4, Shares shall include shares in Phoenix Group Holdings (a company incorporated in the Cayman Islands) issued pursuant to employee share plans prior to Admission.

4.4 Post-grant events affecting numbers of "allocated" Shares

For the purposes of Rule 4.3, where:

- (a) any option, award or other contractual right to acquire unissued Shares or treasury Shares is released or lapses (whether in whole or in part); or
- (b) after the grant of an option, award or other contractual right the Committee determines that:

- (i) where an amount is normally payable on its exercise it shall be satisfied without such payment but instead by the issue of Shares and/or the transfer of treasury Shares and/or the payment of cash equal to the gain made on its exercise; or
- (ii) it shall be satisfied by the transfer of existing Shares (other than Shares transferred out of treasury) and/ or by settlement in cash

the unissued Shares or treasury Shares which consequently cease to be subject to the option, award or other contractual right from time to time or absolutely (as appropriate) shall not count as allocated, or count to the extent as the Board shall reasonably determine from time to time.

4.5 Changes to investor guidelines

Treasury Shares shall cease to count as allocated Shares for the purposes of Rule 4.3 if institutional investor guidelines cease to require such Shares to be so counted.

4.6 Restriction on use of unissued Shares and treasury Shares

No Shares may be issued or treasury Shares transferred to satisfy the Vesting or exercise of any Award to the extent that such issue or transfer would cause the number of Shares allocated (as defined in Rule 4.3 and adjusted under Rule 4.4) to exceed the limits in Rules 4.1 and 4.2 (5 per cent. and 10 per cent. in 10 years limits).

5. VESTING OF AWARDS

5.1 Timing of Vesting

Subject to Rule 5.2 (*Restrictions on Vesting; regulatory and tax issues*), Rule 5.5 (*Suspension*) and Rule 15 (*Malus and Clawback*) an Award will become Vested on the Employment Requirement Date, except where earlier Vesting occurs on an Early Vesting Date under Rule 10 (*Leavers*) or Rule 11 (*Takeovers and other corporate events*).

5.2 Restrictions on Vesting: regulatory and tax issues

An Award will not Vest unless and until the following conditions are satisfied:

- (a) the Vesting of the Award, and the issue or transfer of Shares after such Vesting, would be lawful in all relevant jurisdictions and in compliance with any Dealing Restrictions;
- (b) if, on the Vesting of the Award, a Tax Liability would arise by virtue of such Vesting, then the Participant must have entered into arrangements (including providing any information necessary to implement such arrangements) acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability (whether pursuant to Rule 5.4 (*Payment of Tax Liability*) or otherwise);
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the Vesting of the Award;
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction; and

- (e) where the Committee requires, the Participant confirms before the Vesting of the Award that he remains bound by the provisions of Rule 15 (*Malus and Clawback*).

For the purposes of this Rule 5.2, references to Group Member include any former Group Member.

5.3 Tax liability before Vesting

If a Participant will, or is likely to, incur any Tax Liability before the Vesting of an Award then that Participant must enter into arrangements acceptable to any relevant Group Member to ensure that it receives the amount of such Tax Liability. If no such arrangement is made then the Participant will be deemed to have authorised the Company to sell or procure the sale of sufficient of the Shares subject to his Award on his behalf to ensure that the relevant Group Member receives the amount required to discharge the Tax Liability and the number of Shares subject to his Award shall be reduced accordingly.

For the purposes of this Rule 5.3, references to Group Member include any former Group Member.

5.4 Payment of Tax Liability

The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following the Vesting of his Award on his behalf to ensure that any relevant Group Member receives the amount required to discharge the Tax Liability which arises on Vesting except to the extent that he agrees to fund all or part of the Tax Liability in a different manner.

For the purposes of this Rule 5.4, references to Group Member include any former Group Member.

5.5 Suspension or investigation for a disciplinary matter

Notwithstanding any other provision of the Scheme, if, at any time before an Award Vests, a Participant is suspended for a disciplinary matter or is the subject of an investigation into a disciplinary matter, then the Committee in its absolute discretion, following consultation with the relevant Group Member, may determine that the Vesting of any Award shall be suspended until such time as the Committee lifts such suspension and exercises its discretion to Vest the Award or otherwise reduce the Award (to nil if the Committee considers that to be appropriate).

6. CONSEQUENCES OF VESTING FOR CONDITIONAL AWARDS

On or as soon as reasonably practicable after the Vesting of a Conditional Award, the Board shall, subject to Rule 5.4 (*Payment of Tax Liability*) and any arrangement made under Rules 5.2(b) and 5.2(c) (*Restrictions on Vesting: regulatory and tax issues*), transfer or procure the issue or transfer of the Vested Shares to the Participant (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Vested Shares.

7. EXERCISE OF OPTIONS

7.1 Option – Time of Exercise

An Award in the form of an Option shall, subject to Rule 7.3 (*Restrictions on the exercise of an Option: regulatory and tax issues*), become exercisable on the Vesting Date. Such Vested Award may be exercised (i) within the six month period commencing on the Vesting Date and the Award shall lapse at the end of that period unless it lapses earlier under Rule 10 (*Leavers*), or Rules 11.1 to 11.3 (*Takeovers and other corporate events*), or (ii) if there is an Early

Vesting Date, in accordance with the provisions of Rule 10.5 (*Death*), or Rules 11.1 to 11.3 as applicable (*Takeovers and other corporate events*).

7.2 **Dealing Restrictions**

If, during the period in which an Option may otherwise be exercised under the Scheme, the Participant is subject to any Dealing Restrictions, the applicable period shall be suspended until such later date as those Dealing Restrictions lift provided that no Option may be exercised more than 10 years after its Grant Date.

7.3 **Restrictions on the exercise of an Option: regulatory and tax issues**

An Award which is a Vested Award in the form of an Option may not be exercised unless the following conditions are satisfied:

- (a) the exercise of the Option and the issue or transfer of Shares after such exercise would be lawful in all relevant jurisdictions and in compliance with any Dealing Restrictions;
- (b) if, on the exercise of the Option, a Tax Liability would arise by virtue of such exercise then the Participant must have entered into arrangements (including providing any information necessary to implement such arrangements) acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability (whether pursuant to Rule 7.6 (*Payment of Tax Liability*) or otherwise);
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the exercise of the Option;
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction; and
- (e) where the Committee requires, the Participant confirms before the exercise of the Option that he remains bound by the provisions of Rule 15 (*Malus and Clawback*).

For the purposes of this Rule 7.3, references to Group Member include any former Group Member.

7.4 **Exercise in whole or part**

An Option may be exercised in whole or part and in separate tranches unless, to facilitate the easier administration of the Scheme, the Committee decides to impose a minimum number of Shares over which an Option may be exercised if it is not being exercised to the maximum extent possible and / or a maximum number of tranches in which it may be exercised.

7.5 **Method of exercise**

The exercise of any Option shall be effected in the form and manner prescribed by the Board. Unless the Board, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to Rule 7.3 (*Restrictions on the exercise of an Option: regulatory and tax issues*), take effect only when the Company receives it, together with payment of any relevant Option Price (or, if the Board so permits, an undertaking to pay that amount).

7.6 **Payment of Tax Liability**

The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following exercise of his Option on his behalf to ensure that any relevant Group Member receives the amount required to discharge the Tax Liability which arises on such exercise except to the extent that he agrees to fund all or part of the Tax Liability in a different manner.

For the purposes of this Rule 7.6, references to Group Member include any former Group Member.

7.7 **Transfer or allotment timetable**

As soon as reasonably practicable after an Option has been exercised, the Company shall, subject to Rule 7.6 (*Payment of Tax Liability*) and any arrangement made under Rules 7.3(b) and 7.3(c) (*Restrictions on the exercise of an Option: regulatory and tax issues*), transfer or procure the transfer to him (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Shares in respect of which the Option has been exercised.

8. **CASH ALTERNATIVE**

8.1 **Committee determination**

Where a Conditional Award Vests or an Option has been exercised and Vested Shares have not yet been allotted or transferred to the Participant (or his nominee), the Committee may determine that, in substitution for his right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of his right to acquire those Shares), he shall be paid by way of additional employment income a sum equal to the cash equivalent (as defined in Rule 8.2) of that number of Shares in accordance with the following provisions of this Rule 8.

The Committee may not make any such determination where the power to do so would result in a Tax Liability for the Participant in relation to the Award at an earlier time than would otherwise be the case (unless the Committee determines when the Award is granted that this restriction shall not apply) nor where such power would cause the grant of the Award to be unlawful in any jurisdiction.

8.2 **Cash equivalent**

For the purpose of this Rule 8, the cash equivalent of a Share is:

- (a) in the case of a Conditional Award, the Market Value of a Share on the dealing day before the Vesting Date;
- (b) in the case of an Option, the Market Value of a Share on the dealing day before the day when the Option is exercised reduced by the Option Price in respect of that Share.

8.3 **Payment of cash equivalent**

Subject to Rule 8.4 (*Share alternative*), as soon as reasonably practicable after the Committee has determined under Rule 8.1 that a Participant shall be paid a sum in substitution for his right to acquire any number of Vested Shares:

- (a) the Company shall pay to him or procure the payment to him of that sum in cash; and

- (b) if he has already paid the Company for those Shares, the Company shall return to him the amount so paid by him.

8.4 **Share alternative**

If the Committee so decides, the whole or any part of the sum payable under Rule 8.3 shall, instead of being paid to the Participant in cash, be applied on his behalf:

- (a) in subscribing for Shares at a price equal to the Market Value by reference to which the cash equivalent is calculated; or
- (b) in purchasing such Shares; or
- (c) partly in one way and partly in the other

and the Company shall allot or transfer to him (or his nominee) or procure the transfer to him (or his nominee) of the Shares so subscribed for or purchased.

8.5 **Deductions**

There shall be deducted from any payment under this Rule 8 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable.

9. **LAPSE OF AWARDS**

An Award will lapse:

- (a) in accordance with the Rules; or
- (b) to the extent it does not Vest under these Rules.

10. **LEAVERS**

10.1 **Cessation of employment before Employment Requirement Date - resignation or Cause**

Subject to Rules 10.2 and 10.3, if, prior to the Employment Requirement Date, a Participant:

- (a) resigns or gives notice of his resignation as a director or employee of a Group Member;
or
- (b) is dismissed by any Group Company for Cause,

his Award shall lapse immediately, unless the Committee, acting fairly and reasonably, determines otherwise.

10.2 **Cessation of employment before Employment Requirement Date – other circumstances**

Subject to Rule 10.3 (*Evidence requirement*), if a Participant ceases to be a director or employee of a Group Member prior to the Employment Requirement Date in circumstances other than those referred to in Rule 10.1(a) and 10.1(b), including where the Committee uses its discretion as provided for in that Rule 10.1, then the Participant will retain any Award and, in the case of an Option, the Participant may exercise that Option within the period of six months from the Employment Requirement Date, and thereafter the Option will lapse (subject to earlier Vesting and lapse under Rule 11 (*Takeovers and other corporate events*)). For the

avoidance of doubt, and subject to Rule 10.3 (*Evidence requirement*), this Rule 10.2 will also apply to an individual who was granted an Award but had ceased to be a director or employee of a Group Member prior to the Grant Date.

10.3 Evidence requirement

Where a Participant has ceased to be a director or employee of a Group Member in circumstances other than those referred to in Rule 10.1(a) or 10.1(b), the Committee, acting fairly and reasonably, may require a Participant to provide evidence that he or she does not in fact fall into the circumstances referred to in Rule 10.1(a) or 10.1(b) throughout the period from the Grant Date to the Employment Requirement Date and if the Participant fails to provide such evidence the Award shall, unless the Committee determines otherwise, lapse.

10.4 Cessation of employment after Employment Requirement Date

Where a Participant ceases to be a director or employee of a Group Member after the Employment Requirement Date and he holds a Vested but unexercised Option, then, subject to earlier lapse under Rule 11 (*Takeovers and other corporate events*), either:

- (a) the Participant will retain such Option which he may exercise in accordance with Rule 7 (*Exercise of Options*); or
- (b) if the reason for such cessation is dismissal for Cause, his Option shall lapse immediately on such cessation.

10.5 Death

If a Participant dies following cessation of employment as a director or employee of a Group Member:

- a) any subsisting Award held by the Participant that has not lapsed shall Vest immediately; and
- b) any vested Option may be exercised in the twelve month period following his death and thereafter will lapse (subject to earlier lapse under Rule 7.1 or Rule 11 (*Takeovers and other corporate events*)).

10.6 Meaning of ceasing employment

- (a) Subject to Rule 10.6(b), a Participant shall be treated for the purposes of this Rule 10 as ceasing to be a director or employee of a Group Member at such time as he is no longer a director or employee of any Group Member.
- (b) The Committee may decide that a Participant shall be treated as ceasing to be a director or employee of a Group Member on such earlier date as it shall select being not earlier than the date on which a Participant gives or receives notice of termination of his employment with a Group Member (whether or not such termination is lawful).
- (c) If any Participant ceases to be such a director or employee before the Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work.

11. TAKEOVERS AND OTHER CORPORATE EVENTS

11.1 General offers

If any person (or group of persons acting in concert):

- (a) obtains Control of the Company as a result of making a general offer to acquire Shares;
or
- (b) having obtained Control of the Company makes such an offer and such offer becomes unconditional in all respects

the Board shall, as soon as practicable after becoming aware of that event, notify every Participant of it and, subject to Rule 11.4 (*Internal reorganisations*), or Rule 11.5 (*Rollovers*) the following provisions shall apply:

- (i) subject to Rule 5.2 (*Restrictions on Vesting: regulatory and tax issues*), Awards shall Vest on the date of such notification if they have not then Vested; and
- (ii) any Option may be exercised in respect of Vested Shares within one month (or such longer period as the Board shall allow) of the date of such notification, but to the extent that an Option is not exercised within that period that Option shall (regardless of any other provision of the Scheme, other than earlier lapse under Rule 7.1 or Rule 10 (*Leavers*)) lapse at the end of that period.

11.2 Schemes of arrangement and winding up

In the event that:

- (a) any person obtains Control of the Company as a result of a scheme of arrangement sanctioned by the Court under section 899 of the Companies Act 2006; or
- (b) the Company passes a resolution for a voluntary winding up of the Company; or
- (c) a court order is made for the compulsory winding up of the Company

the Board shall, as soon as practicable, notify every Participant of that event and, subject to Rule 11.4 (*Internal reorganisations*), or Rule 11.5 (*Rollovers*) the following provisions shall apply:

- (i) subject to Rule 5.2 (*Restrictions on Vesting: regulatory and tax issues*), all Awards shall Vest on the date of such notification if they have not then Vested; and
- (ii) any Option may be exercised in respect of Vested Shares within one month (or such longer period as the Board shall allow) of such notification,

but to the extent that an Option is not exercised within that period, that Option shall (regardless of any other provision of the Scheme, other than earlier lapse under Rule 7.1 or Rule 10 (*Leavers*)) lapse at the end of that period.

If the Board considers it appropriate in connection with a scheme of arrangement as referred to in Rule 11.2(a) above, it may make such arrangements as it considers appropriate for Awards to Vest and for Options to be exercised following sanction of the scheme of arrangement by the Court but before the change of Control becomes effective.

11.3 Demerger and similar events

Without prejudice to Rule 12 (*Adjustments*), if a demerger, special dividend or other similar event (the “**Relevant Event**”) is proposed which, in the opinion of the Committee, would

affect the market price of Shares to a material extent, then the Committee may, at its discretion, decide that the following provisions will apply:

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 10 (*Leavers*), his Award Vests and, if relevant, his Option may be exercised in relation to Vested Shares on such terms as the Committee may determine and during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine;
- (b) if an Award Vests, or an Option is exercised, conditional upon the Relevant Event and such event does not occur then the conditional Vesting or exercise shall not be effective and the Award shall continue to subsist; and
- (c) if the Committee decides that an Award Vests under this Rule 11.3 then the date of that Vesting shall be the Early Vesting Date.

11.4 **Internal reorganisations**

In the event that:

- (a) a company (the “**Acquiring Company**”) is expected to obtain Control of the Company as a result of an offer referred to in Rule 11.1 (*General offers*) or a scheme of arrangement referred to in Rule 11.2(a) (*Schemes of arrangement and winding up*); and
- (b) at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company

then the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 11.1 or Rule 11.2 but shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules will apply to any new award granted under this Rule 11.4 as if references to Shares were references to shares over which the new award is granted and references to the Company were references to the company whose shares are subject to the new award.

11.5 **Rollovers**

In the event that a company (the “**Buyer**”) is expected to obtain Control of the Company as a result of an offer referred to in Rule 11.1 (*General offers*) or a scheme of arrangement referred to in Rule 11.2(a) (*Schemes of arrangement and winding up*) then the Committee may decide before the obtaining of such Control that an Award shall not Vest under Rule 11.1 or Rule 11.2 but shall be automatically surrendered in consideration for the grant of a new award on terms agreed with that Buyer and which the Committee determines is equivalent to the Award which it replaces. Such new award may be over shares in the Buyer or some other company.

The Rules will continue to apply to any new award granted under this Rule 11.5 but subject to such consistency changes as necessary, including that:

- (a) references to Shares shall be read as references to the shares over which the new award is granted; and

references to the Company shall be read as references to a company whose shares or securities are subject to the new award.

12. ADJUSTMENT OF AWARDS

12.1 General rule

In the event of:

- (a) any variation of the share capital of the Company; or
- (b) a demerger, special dividend or other similar event which affects the market price of Shares to a material extent

the Committee may make such adjustments as it considers appropriate under Rule 12.2(*Method of adjustment*).

12.2 Method of adjustment

An adjustment made under this Rule shall be to one or more of the following:

- (a) the definition of Shares and the number of Shares comprised in an Award;
- (b) subject to Rule 12.3 (*Adjustment below nominal value*), the Option Price; and
- (c) where any Option has been exercised but no Shares have been transferred or allotted after such exercise, the number of Shares which may be so transferred or allotted and (if relevant) the price at which they may be acquired.

12.3 Adjustment below nominal value

An adjustment under Rule 12.2 may have the effect of reducing the price at which Shares may be subscribed for on the exercise of an Option to less than their nominal value, but only if and to the extent that the Board is authorised:

- (a) to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercised and which are to be allotted after such exercise exceeds the price at which the Shares may be subscribed for; and
- (b) to apply that sum in paying up such amount on such Shares

so that on exercise of any Option in respect of which such a reduction shall have been made the Board shall capitalise that sum (if any) and apply it in paying up that amount.

13. ALTERATIONS

13.1 General rule on alterations

Except as described in Rule 13.2 (*Shareholder approval*) and Rule 13.4 (*Alterations to disadvantage of Participants*) the Committee may at any time alter the Scheme or the terms of any Award granted under it.

13.2 Shareholder approval

Except as described in Rule 13.3 (*Exceptions to shareholder approval*), no alteration to the advantage of an individual to whom an Award has been or may be granted shall be made under Rule 13.1 to the provisions concerning:

- (a) eligibility;

- (b) the individual limits on participation;
- (c) the overall limits on the issue of Shares or the transfer of treasury Shares;
- (d) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Scheme;
- (e) the adjustments that may be made in the event of any variation of capital; and
- (f) the terms of this Rule 13.2

without the prior approval by ordinary resolution of the members of the Company in general meeting.

13.3 **Exceptions to shareholder approval**

Rule 13.2 (*Shareholder approval*) shall not apply to:

- (a) any minor alteration to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
- (b) any establishment of appendices to the Scheme for the purpose of granting Awards to persons who are eligible to be granted an Award under Rule 2 (*Eligibility*) who are or may become primarily liable to tax outside the United Kingdom on their remuneration, subject to such modifications to the Scheme as may be necessary or desirable to take account of overseas tax, exchange control or securities law, provided that any Shares made available under such appendices shall count towards the limit set out in Rule 4 hereof.

13.4 **Alterations to disadvantage of Participants**

No alteration to the material disadvantage of Participants shall be made under Rule 13.1 unless:

- (a) the Board shall have invited every relevant Participant to indicate whether or not he approves the alteration; and
- (b) the alteration is approved by a majority of those Participants who have given such an indication.

14. **MISCELLANEOUS**

14.1 **Employment**

The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in the Scheme or any right which he may have to participate in it. An individual who participates in the Scheme waives any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever (and whether or not such termination is lawful or unlawful) insofar as those rights arise or may arise from him ceasing to have rights under an Award as a result of such termination. Participation in the Scheme shall not confer a right to continued employment upon any individual who participates in it. The grant of any Award does not imply that any further Award will be granted nor that a Participant has any right to receive any further Award.

14.2 **Disputes**

In the event of any dispute or disagreement as to the interpretation of the Scheme, or as to any question or right arising from or relating to the Scheme, the decision of the Committee shall be final and binding upon all persons.

14.3 **Exercise of powers and discretions**

The exercise of any power or discretion by the Committee shall not be open to question by any person and a Participant or former Participant shall have no rights in relation to the exercise or omission to exercise any such power or discretion.

The existence of any Awards shall not affect in any way the right or power of the Company or its shareholders to make or authorise any or all adjustments, recapitalisations, reorganisations or other changes in the Company's capital structure, or any merger or consolidation of the Company, or any issue of shares, bonds, debentures, preferred or prior preference stocks ahead of, or convertible into, or otherwise affecting the Shares or the rights thereof, or the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

14.4 **Share rights**

All Shares allotted under the Scheme shall rank equally in all respects with Shares then in issue except for any rights attaching to such Shares by reference to a record date before the date of the allotment, and shall be subject to the articles of association of the Company from time to time.

Where Vested Shares are transferred to Participants (or their nominee), Participants will be entitled to all rights attaching to such Shares by reference to a record date on or after the date of such transfer.

14.5 **Availability of Shares**

The Company shall at all times keep available for issue sufficient authorised but unissued Shares to permit the satisfaction of all Awards under which Shares may be allotted or shall otherwise procure that Shares are available for transfer in satisfaction of such Awards.

If and so long as the Shares are admitted to listing by the UKLA and admitted to trading by the London Stock Exchange, the Company will, at its expense, make application to the UKLA and the London Stock Exchange for Shares allotted for the satisfaction of Awards to be admitted to such listing and trading respectively.

14.6 **Stamp duty**

The Company, or where the Board so directs any Group Member, shall pay the appropriate stamp duty on behalf of Participants in respect of any transfer of Shares in satisfaction of the Awards.

14.7 **Notices**

Any notice or other communication under or in connection with the Scheme may be given:

- (a) by personal delivery or by first class post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a

director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment;

- (b) in an electronic communication to a person's usual business address or such other address for the time being notified for that purpose to the person giving the notice; or
- (c) by such other method as the Board determines.

In the case of service by post, the day of service will be 48 hours after posting and in the case of electronic communication the day of service will be the day of transmission by the sender.

The Company is not required to send to Participants (other than those who hold Shares) copies of any documents or notices normally sent to the holders of its Shares.

14.8 **Third parties**

No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Scheme.

14.9 **Benefits not pensionable**

Benefits provided under the Scheme shall not be pensionable.

14.10 **Data Protection**

By accepting the grant of an Award, a Participant acknowledges that the Company or any Group Member may hold, process and transfer personal data relating to them to other Group Members or to any third parties engaged by them for any and all purposes related to the operation and administration of the Scheme and/or in order to meet any legal obligation, in each case in accordance with the Company's data protection policy and applicable law where the processing is necessary for:

- (a) the performance of the contract between the Company and the Participant under which the Participant participates in the Scheme;
- (b) the Company or any Group Member to comply with its legal obligations; or
- (c) the purposes of the legitimate interests pursued by the Company or any Group Member.

A Participant also acknowledges that the Company or any Group Member may, in accordance with the Company's data protection policy and applicable law, transfer or store personal information outside the European Economic Area (*EEA*), and that personal data may also be processed outside the EEA by the Company or any Group Member or for one or more of its or their service providers.

14.11 **Governing law**

The Scheme and all Awards shall be governed by and construed in accordance with the law of England and the Courts of England and Wales have exclusive jurisdiction to hear any dispute.

14.12 **Consistency with directors' remuneration policy**

Nothing in these rules or the terms of any Award will oblige a Group Member or any other person to make any remuneration payment or payment for loss of office which would be in breach of Chapter 4A of Part 10 of the Companies Act 2006 (which requires such payments to be within an approved remuneration policy or otherwise approved by shareholders). The

Company will not be obliged to seek the approval of its shareholders in general meeting for any such payment but may make such changes as are necessary or desirable to the terms of any payment to ensure that it is not in breach of that Chapter.

15. MALUS AND CLAWBACK

15.1 Circumstances and period for Malus and Clawback

The Committee may decide

- i. at any time prior to the Vesting Date that an unvested Award shall be subject to Malus; and/or
- ii. within 6 years of the Grant Date that the individual to whom the Award was granted (the "relevant individual") shall be subject to Clawback,

if both:

- i. after due consideration, the Committee forms the view that one or more of the circumstances envisaged in (a) to (f) below applies; and
- ii. such Malus and/ or Clawback is, in the Committee's opinion, appropriate.

The Committee shall not be obliged to prefer the application of Malus over Clawback or vice versa.

The circumstances which may give rise to the application of this Rule are:

- (a) there has been a material misstatement of the Company's or a Group Member's financial results for any period;
- (b) in assessing the extent to which any performance condition and/or any other condition in respect to the Bonus to which the Award relates may be or was satisfied, such assessment was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions would have resulted or did in fact result either directly or indirectly in that Award Vesting (or being capable of Vesting) to a greater degree than would have been the case had that error not been made;
- (c) there are circumstances which would warrant or would have warranted the Company summarily dismissing that individual (whether or not the Company has chosen or chose to do so) or of employee misbehaviour or material error whether or not justifying such summary dismissal;
- (d) there has been a material failure of risk management by the Company or a relevant business unit;
- (e) the Company or a relevant business unit has suffered a material downturn in its financial performance; or
- (f) there are circumstances which in the Committee's opinion have (or would have if made public) a sufficiently significant impact on the reputation of the Company or of any Group Member to justify the application of this clause, and for the avoidance of doubt, such circumstances need not relate to a financial year in which the relevant individual was a Participant in the Scheme. For the purposes of this Rule 15.1(f) the "relevant individual" is the individual to whom the Award was granted.

15.2 **Application of Malus**

If the Committee decides to apply Malus, it may lapse any unvested Awards in whole or part. If the Committee concludes that there may be circumstances existing which may lead to this provision being applied, it may defer the Vesting of an Award while the position is investigated and the Committee considers whether to invoke this provision.

15.3 **Amount Subject to Clawback**

The amount which may be subject to Clawback on any occasion will be such proportion of the Pre-Clawback Vesting Amount as the Committee considers to be fair and reasonable having regard to all the circumstances.

15.4 **Method of Clawback**

In order to ensure that the Clawback is satisfied:

- (a) the Committee may reduce (including, if appropriate, reducing to zero) the amount of the next annual incentive or bonus (if any) which would, but for the operation of this Rule 15, be payable to the relevant individual under any annual incentive or bonus plan operated by any Group Member; and/or
- (b) the Committee may reduce (including, if appropriate, reducing to zero):
 - (i) the extent to which any subsisting Awards held by the relevant individual Vest notwithstanding the extent to which any condition imposed on such Awards has been satisfied; and/or
 - (ii) the extent to which any rights to acquire Shares granted to the relevant individual under any Employees' Share Scheme (other than the Scheme and any plan with tax-favoured status under ITEPA) operated by any Group Member vest or become exercisable notwithstanding the extent to which any conditions imposed on such rights to acquire Shares have been satisfied; and/or
 - (iii) the number of Shares subject to any Vested but unexercised Option; and/or
 - (iv) the number of Shares subject to any vested but unexercised right to acquire Shares granted to the relevant individual under any Employees' Share Scheme (other than the Scheme and any plan with tax favoured status under ITEPA) operated by any Group Member

and any reduction made pursuant to Rule 15.4(b)(i) and/or Rule 15.4(b)(ii) shall take effect immediately prior to the Award Vesting or the right vesting or becoming exercisable (as applicable) (or at such other time as the Committee decides) and any reduction made pursuant to Rule 15.4(b)(iii) and/or Rule 15.4(b)(iv) shall take effect at such time as the Committee decides; and/or

- (c) the Committee may require the relevant individual to pay to such Group Member as the Committee may direct, and on such terms as the Committee may direct (including, but without limitation to, on terms that the relevant amount is to be deducted from the relevant individual's salary or from any other payment to be made to the relevant individual by any Group Member), such amount as is required for the Clawback to be satisfied in full.

15.5 Reduction in Awards to give effect to clawback provisions in other plans

The Committee may decide at any time to reduce the number of Shares subject to an Award (including, if appropriate, reducing to zero) to give effect to a clawback provision of any form contained in any incentive plan (other than the Scheme) or an annual incentive or bonus plan operated by any Group Member. The value of the reduction shall be in accordance with the terms of the clawback provision in the relevant plan or, in the absence of any such term, on such basis as the Committee decides is appropriate.

- 15.6 The Participant by participating in the Scheme, accepts that this Rule 15 is a fair, reasonable and not excessive means of aligning his interests with those of shareholders.