
**Rules of the United Utilities Group PLC
Deferred Bonus Plan 2022**

Adopted by the Board on 24 May 2022

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**Rules of the United Utilities Group PLC
Deferred Bonus Plan 2022**

1. DEFINITIONS AND INTERPRETATION

In these Rules:

1.1 the following expressions have the following meanings unless inconsistent with the context:

“Adoption Date”	the date on which the Plan is adopted by a resolution of the Board
“Award”	any one or more of: (a) a Conditional Award; (b) an Option; or (c) a Cash Award, as the context requires
“Award Certificate”	a certificate issued pursuant to Rule 6.4 or 6.5 as the case may be
“Annual Bonus”	in relation to a Financial Year, the annual bonus to which an Eligible Employee may become entitled to in respect of such Financial Year before the deduction of any income tax, employees' national insurance contributions, employee's health and social care levy or other similar charges from such annual bonus
“Bad Leaver”	a Participant ceasing to be a director or employee within the Group in circumstances where their employing company is entitled to dismiss such Participant without notice, save in the case of long term sick leave
“Board”	the board of directors for the time being of the Company or the directors present at a duly convened meeting of the directors or a duly appointed committee of the board of directors of the Company at which a quorum is present
“Cash Award”	a right to receive a cash amount which relates to the value of a certain number of Shares, granted pursuant to the Plan and for the time being subsisting (or where the context requires, a right to receive such a cash amount so to be granted)
“Clawback”	in relation to a Participant, an obligation to repay or have recovered from such Participant any amount pursuant to the provisions of Rules 13.3 to 13.5 inclusive
“Committee”	the remuneration committee of the Board
“Company”	United Utilities Group PLC (registered in England and Wales with registered number 06559020)

“Conditional Award”	a conditional right to acquire Shares granted pursuant to the Plan and for the time being subsisting (or where the context requires, a conditional right to acquire Shares so to be granted) which does not have to be exercised by the Participant in order for such Participant to acquire the Shares concerned
“Control”	control within the meaning of section 995 of the Income Tax Act 2007 and “Controlled” shall be construed accordingly
“Dealing Day”	any day on which the London Stock Exchange is open for the transaction of business
“Declaration”	a binding agreement entered into by an Eligible Employee that they shall be bound by, and comply with, the provisions of all of the Rules (including, but not limited to, Rule 13) and any direction, determination or demand made by the Committee pursuant to these Rules
“Deferred Bonus”	in respect of an Annual Bonus payable to an Eligible Employee, the proportion of such Annual Bonus which the Eligible Employee has waived or which has been compulsorily deferred, in either case prior to the Eligible Employee becoming entitled to such Annual Bonus
“Dividend Equivalent”	a benefit calculated by reference to dividends paid on the Vested Shares in respect of an Award in the manner described in Rule 7
“Eligible Employee”	an individual who at the relevant date is an employee (including an executive director) of a Group Company
“Employee Privacy Notice”	the notice made available through the Company's intranet and/or the Company Secretary which sets out how personal data relating to Eligible Employees and Participants will be processed
“Exercise Period”	in respect of an Option, the period commencing on the Vesting Date of the Option concerned and ending on the tenth anniversary of the Grant Date (or such earlier date as the Committee may determine for such Option prior to the grant of the Award)
“Financial Year”	a financial year of the Company (as determined in accordance with the provisions of section 390 of the Companies Act 2006)
“Grant Date”	in respect of an Award, the date upon which that Award is granted
“Group”	the Company and all of the Subsidiaries for the time being or, where the context so requires, any one or more of them and “Group Company” shall be construed accordingly
“HMRC”	HM Revenue and Customs
“In Concert”	the meaning given to that term in The City Code on Take-overs and Mergers, as from time to time amended

“Issue or Reorganisation”	any capitalisation issue or rights issue (other than an issue of shares pursuant to the exercise of an option given to the shareholders of the Company to receive shares in lieu of a dividend) or open offer or any other variation in the share capital of the Company including (without limitation) any consolidation, subdivision or reduction of capital of the Company
“ITEPA”	the Income Tax (Earnings & Pensions) Act 2003
“Linked Annual Bonus”	in relation to any Award granted to an Eligible Employee, the Annual Bonus that was payable to such Eligible Employee and in respect of which they waived a proportion or compulsorily deferred a proportion thereof as a condition of such Award being granted
“Listing Rules”	the Listing Rules published by the United Kingdom Listing Authority or any successor body
“London Stock Exchange”	London Stock Exchange plc or any successor body thereto
“Market Value”	<p>in respect of a Share subject to an Award, on any particular date:</p> <p>(a) if the Shares are for the time being admitted to trading on the Official List of the UK Listing Authority, either:</p> <p style="margin-left: 40px;">(i) an amount equal to the middle market quotation for a Share as derived from the Official List for the Dealing Day immediately prior to such date; or</p> <p style="margin-left: 40px;">(ii) if the Committee so determines, an amount equal to the average of the middle market quotations for a Share as derived from the Official List for a period determined by the Committee (not exceeding the 5 consecutive Dealing Days) ending with the Dealing Day immediately prior to the date in question,</p> <p style="margin-left: 40px;">provided always that such Dealing Day(s) do not fall within any period when dealings in Shares are prohibited by the Share Dealing Code; and</p> <p>(b) in all other circumstances, the market value of a Share on the date in question as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992;</p>
“Option”	a right to acquire Shares which must be exercised by a Participant in order for such Participant to acquire the Shares with an exercise price per Share of nil granted pursuant to the Plan and for the time being

subsisting (or where the context requires, such a right to acquire Shares so to be granted

“Overpayment”	in relation to an Award, a payment of cash or delivery of Shares to the Participant holding such Award in excess of the payment of cash or delivery of Shares that would have been made to such Participant in respect of the Award concerned had the error referred to in Rule 13.1.2 (where that Rule is applicable to the Award in question) not occurred
“Participant”	a person who holds an Award, or where the context so requires, the legal personal representatives of such a person
“Permitted Grant Period”	<p>the period of 42 days commencing on any of the following:</p> <ul style="list-style-type: none">(a) the Dealing Day after the Adoption Date;(b) the Dealing Day immediately following the date of the announcement to the London Stock Exchange of the results of the Company in respect of any period;(c) the Dealing Day upon which an Annual Bonus is paid to an Eligible Employee; or(d) any other date fixed by the Committee, where the circumstances are considered in the absolute discretion of the Committee to be exceptional so as to justify the grant of an Award
“Plan”	the United Utilities Group PLC Deferred Bonus Plan 2022 established by the adoption of these Rules as from time to time amended in accordance with the provisions of these Rules
“Share Dealing Code”	any share dealing code adopted by the Company for the purposes of regulating transactions in Shares by persons discharging managerial responsibilities and others (as from time to time amended)
“Shares”	fully paid ordinary shares (of whatever class) in the capital of the Company or, as the context may require, shares for the time being representing the same in consequence of any Issue or Reorganisation
“Subsidiary”	any subsidiary of the Company within the meaning of section 1159 of the Companies Act 2006 over which the Company has Control
“Tax Advantaged Scheme”	any scheme which meets the requirements of Schedule 2 of ITEPA, or Schedule 3 of ITEPA or Schedule 4 of ITEPA
“Tax Liability”	<p>in relation to an Award any amount of:</p> <ul style="list-style-type: none">(a) income tax; and/or

- (b) employee's national insurance contributions; and/or
- (c) employee's health and social care levy imposed pursuant to the Health and Social Care Levy Act 2021; and/or
- (d) if and only if the Committee has exercised its discretion pursuant to **Rule 6.2.7** that the Participant shall be liable for any employer's national insurance contributions in respect of such Award, the employer's national insurance contributions concerned; and/or
- (e) if and only if the Committee has exercised its discretion pursuant to **Rule 6.2.7** that the Participant shall be liable for any employer's health and social care levy imposed pursuant to the Health and Social Care Levy Act 2021 in respect of such Award, the employer's health and social care levy concerned,

for which the Participant would or may be liable and for which any Group Company or former Group Company would or may be obliged to (or would or may suffer a disadvantage if it were not to) account to any relevant authority, together with any related fines, penalties and interest

"Treasury Shares"

qualifying shares to which sections 724 to 732 of the Companies Act 2006 apply

"Trustee"

the trustee or trustees of any employee benefit trust established for the benefit of employees of the Group or any Group Company

"UK Listing Authority"

the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part 6 of the Financial Services and Markets Act 2000 or such other person as is from time to time appointed to be the competent authority for the purposes of that Act;

"Vest"

in respect of:

- (a) a Conditional Award, the Participant becoming entitled to have Shares transferred to them pursuant to such Conditional Award in accordance with the Rules;
- (b) an Option, the Participant becoming entitled to exercise such Option over Shares in accordance with the Rules;
- (c) a Cash Award, the Participant becoming entitled to receive the payment of cash determined in respect of such Cash Award in accordance with these Rules,

and **“Vesting”** and **“Vests”** shall be construed accordingly

“Vested Shares”

in relation to an Award, the Shares in respect of which such Award Vests as determined in accordance with the Rules

“Vesting Date”

in relation to an Award, the vesting date specified in the Award Certificate (as provided in **Rule 6.4**) provided that such vesting date shall not occur:

- (a) before the third anniversary of the Grant Date of the Award; or
- (b) after the tenth anniversary of such Grant Date;

- 1.2 references to any statutory provisions will, where the context so admits or requires, be construed as including references to the corresponding provisions of any earlier statute (whether repealed or not) directly or indirectly amended, consolidated, extended or replaced by those provisions (or re-enacted in those provisions) and of any subsequent statute in force at any relevant time directly or indirectly amending, consolidating, extending, replacing or re-enacting the same and will include any orders, regulations, instruments or other subordinate legislation made under the relevant statute;
- 1.3 any reference to a Rule is a reference to a rule of this Plan;
- 1.4 unless the context requires otherwise, words importing the singular shall also include the plural and vice versa, any reference to one gender shall include any other genders and any reference to a person shall include incorporated and unincorporated bodies; and
- 1.5 any reference to “income tax” shall, in the context of any Participant who is resident in any jurisdiction outside the United Kingdom, include a reference to any taxation payable in that other jurisdiction which is equivalent or similar to income tax and, in such circumstances, any corresponding reference to “HMRC” shall include a reference to the relevant taxation authority in that other jurisdiction;
- 1.6 any reference to “employee’s national insurance contributions” shall, in the context of any Participant who is resident in any jurisdiction outside the United Kingdom, include a reference to any taxation or social security payable in that other jurisdiction which is equivalent or similar to employee’s national insurance contributions;
- 1.7 any reference to “employer’s national insurance contributions” shall, in the context of any Participant who is resident in any jurisdiction outside the United Kingdom, include a reference to any taxation or social security payable in that other jurisdiction which is equivalent or similar to employer’s national insurance contributions;
- 1.8 any reference to “employee’s health and social care levy” shall, in the context of any Participant who is resident in any jurisdiction outside the United Kingdom, include a reference to any taxation or levy in that other jurisdiction which is equivalent or similar to employee’s health and social care levy;
- 1.9 any reference to “employer’s health and social care levy” shall, in the context of any Participant who is resident in any jurisdiction outside the United Kingdom, include a reference to any taxation or levy in that other jurisdiction which is equivalent or similar to employer’s health and social care levy; and
- 1.10 the descriptive headings to Rules are inserted for convenience only, have no legal effect and shall be ignored in the interpretation of these Rules.

2. COMMITTEE MAY GRANT AWARDS

The Committee is empowered (with effect from the Adoption Date) to authorise the grant of Awards by the Company to Eligible Employees in accordance with these Rules.

3. RESTRICTIONS ON THE GRANT OF AWARDS

3.1 No Award shall be granted to any Eligible Employee except during a Permitted Grant Period provided that if, by reason of the Share Dealing Code, any statute, regulation or order made thereunder or any governmental directive, the Company shall be restricted from granting Awards within such Permitted Grant Period, Awards may be granted within the period commencing on the second Dealing Day immediately following the lifting of such restrictions and ending 40 days thereafter.

3.2 Awards may only be granted to a person who:

3.2.1 is an Eligible Employee; and

3.2.2 has a Deferred Bonus in respect of the Financial Year to which the Award relates.

3.3 For the avoidance of doubt, no Award shall be granted in any circumstances to a person who does not meet the requirements of **Rule 3.2**.

3.4 No Eligible Employee shall in any circumstances be granted more than one Award in respect of any Financial Year.

3.5 No Award shall be granted more than ten years after the Adoption Date.

3.6 No Award shall be granted to an Eligible Employee who satisfies the requirements of **Rule 3.2.2** at a time when such grant to such Eligible Employee would be in breach of the Share Dealing Code, any statute, regulation or order made thereunder or any governmental directive.

4. RESTRICTIONS ON SOURCE OF SHARES

In no circumstances shall the Company issue or allot any Shares to any person or entity (including, but not limited to, any Trustee or any Participant) nor use or transfer any Shares which are Treasury Shares, for the purpose of satisfying any Award granted under the Plan, so that all Shares used for the purpose of satisfying any such Award must be acquired by way of market purchase only.

5. INDIVIDUAL LIMIT

The maximum number of Shares subject to an Award made to an Eligible Employee in respect of a Financial Year shall be such number of Shares as has an aggregate value determined by reference to the Market Value of a Share (measured as at the Grant Date of such Award) as near as possible equal to, but not less than, the Deferred Bonus in respect of the Financial Year to which the Award relates.

6. GRANT OF AWARDS

6.1 Subject to **Rule 3**, the Committee may (if in its absolute discretion it so decides) authorise the Company to grant an Award to any person who satisfies the conditions of **Rule 3.2**.

6.2 Subject as otherwise provided in these Rules, the Committee shall have an absolute discretion in determining on or prior to the grant of Awards on any occasion (inter alia):

6.2.1 when to grant Awards;

6.2.2 to whom to grant Awards;

- 6.2.3 the Vesting Date of any Award;
 - 6.2.4 whether any Award to be granted will be a Conditional Award, an Option or a Cash Award; and
 - 6.2.5 in the case of any Award which is granted as an Option, the Exercise Period in relation to that Option;
 - 6.2.6 in respect of any Award, the number of Shares relating to such Award; and
 - 6.2.7 whether (to the extent permitted by law) the Participant will be liable for any employer's national insurance contributions and/or employer's health and social care levy that may arise as a result of, or in connection with, the Vesting or exercise of the Award concerned.
- 6.3 No person shall be entitled as of right to be granted any Award.
- 6.4 Subject to **Rule 6.5**, each Award shall be granted by the execution and delivery by the Company as a deed of an Award Certificate in respect of that Award. No consideration shall be payable by any Eligible Employee in respect of the grant of an Award to them. Each Award Certificate shall as soon as reasonably practicable after execution and delivery by the Company, and in any event within 14 days thereafter, be issued to the relevant Participant and shall specify (inter alia) the following (but shall otherwise be in such form as the Committee may from time to time determine):
- 6.4.1 the Grant Date of the Award;
 - 6.4.2 the Financial Year to which the Award relates;
 - 6.4.3 the Vesting Date of the Award;
 - 6.4.4 whether the Award is a Conditional Award, an Option or a Cash Award;
 - 6.4.5 the number of Shares subject to the Award;
 - 6.4.6 if the Award is an Option, the Exercise Period in relation to such Option;
 - 6.4.7 whether or not a Dividend Equivalent shall apply in respect of the Award; and
 - 6.4.8 whether the Participant is liable for any employer's national insurance contributions and/or employer's health and social care levy that may arise as a result of, or in connection with, the Vesting or exercise of the Award concerned.
- 6.5 The Committee may determine that instead of each Award being granted by the execution and delivery by the Company as a deed of an Award Certificate in respect of the Award, Awards shall be granted by the Company executing a single deed poll recording the grant of the Awards concerned and agreeing to be bound by the Award Certificates. In such case, the Committee shall procure that as soon as reasonably practicable after an Award has been granted, the Company shall issue an Award Certificate to each Participant. The Award Certificate shall specify all of the details identified in **Rule 6.4** and shall otherwise be in such form as the Committee may from time to time determine.
- 6.6 An Award shall be personal to the Eligible Employee to whom it is granted and, except to the extent necessary to enable the legal personal representatives of such Eligible Employee to receive the benefit of the Award following the death of the Eligible Employee, shall not be transferable or assignable. An Award shall not be charged, pledged or otherwise encumbered during the life of the Participant and any purported assignment, charge, disposal or dealing with the rights and interest of the Participant under the Plan shall immediately thereupon render the Award void.
- 6.7 The Participant must in respect of any Award, (unless they have already provided a validly executed Declaration to the Company as at the Grant Date relating to such Award), validly

execute a Declaration and return the same duly executed to the Company within 60 days following the Grant Date of the Award concerned.

6.8 In the event that the Participant fails to comply with **Rule 6.7** in respect of an Award and has not already provided a validly executed Declaration to the Company as at the Grant Date relating to such Award, the Award concerned shall be treated as being null and void for all purposes under the Plan, immediately upon the expiry of 60 days following the Grant Date of the Award concerned. For the avoidance of doubt an Eligible Employee need only execute one Declaration in respect of the Plan.

6.9 In the event of any Participant losing their Award Certificate the Company shall as soon as reasonably practicable after receipt of notice of such loss together, if it so requires, with an indemnity from the Participant in respect of any liability of the Company arising as a consequence of such loss (in such form as the Company may request) issue or procure the issue to the Participant of a duplicate of such Award Certificate and any reference in these Rules to an Award Certificate shall include a reference to such a duplicate.

7. **DIVIDEND EQUIVALENTS**

The Committee may decide on or before the grant of an Award to a Participant that such Participant shall be entitled to cash and/or Shares (in such proportions, which may include all cash or all Shares, as is determined in the Committee's sole discretion) of an aggregate value determined by reference to the dividends that would have been paid on the Vested Shares to which the Participant becomes entitled pursuant to the Award in respect of dividend record dates occurring during the period between the Grant Date of the Award and the date upon which the Award Vests. The Committee shall decide the basis on which the value of such dividends shall be calculated which may assume the reinvestment of dividends and/or the inclusion or exclusion of any dividend tax credit. In giving effect to this **Rule 7**, the Committee shall have complete discretion to decide the basis on which the Dividend Equivalent should be calculated.

8. **VESTING OF AWARDS**

Subject to the provisions of **Rules 11, 13, 14, 15** and **16**, an Award shall Vest in respect of all of the Shares over which it subsists on its Vesting Date.

9. **CONSEQUENCES OF VESTING**

9.1 In the case of a Conditional Award, within 30 days following the date on which such Conditional Award Vests, the Board shall, subject to **Rules 11.1, 11.3** and **12**, procure the transfer of the Vested Shares to the Participant who held the Conditional Award or to someone else chosen by the Participant and notified in writing by the Participant to the Board (provided always that the Participant is the beneficial owner of such Shares).

9.2 In the case of an Option, such Option shall, subject to the provisions of **Rules 11.1, 13, 14, 15** and **16**, be exercisable in respect of Vested Shares during the Exercise Period relating to the Option.

9.3 In the case of a Cash Award, within 30 days following the date on which such Cash Award Vested, the Board shall, subject to **Rule 11.1**, pay to the Participant a cash sum (after making all necessary deductions, on account of income tax, employee's national insurance contributions and/or employee's health and social care levy or similar liabilities as may be required by law or as the Committee may reasonably consider to be necessary or desirable) equal to the Market Value of the Vested Shares. For the purposes of this **Rule 9.3**, the Market Value of the Vested Shares shall be taken to be an amount equal to the Market Value of a Share on the date upon which the Cash Award Vested multiplied by the number of Vested Shares concerned.

9.4 The provision of any Dividend Equivalent payable in respect of an Award to the Participant shall be made at the same time as, or as soon as practicable after, the transfer of Vested Shares or payment of a cash sum in relation to a Cash Award and **Rule 11.1** and **Rule 11.3** shall apply in respect of such Dividend Equivalent as if the provision of such Dividend

Equivalent was the Vesting of an Award. To the extent that a Dividend Equivalent is paid in cash, the Company shall procure that the amount of any income tax, employee's national insurance contributions and/or employee's health and social care levy payable in respect of such cash payment shall be deducted from the cash payment concerned before the Dividend Equivalent in question is provided to the Participant.

10. EXERCISE OF OPTIONS

- 10.1 An Option must be exercised to the maximum extent possible as determined in accordance with these Rules at the time of exercise unless the Committee decides that a Participant may exercise their Option in respect of such fewer number of Shares as it decides.
- 10.2 The exercise of any Option shall be effected in the form and manner prescribed by the Committee. Unless the Committee, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to **Rule 11.1**, take effect only when the Company receives it, together with, where applicable, payment relating to the Tax Liability arising (or that shall arise) in respect of the exercise of the Option or an agreement to secure that such a payment is made under arrangements acceptable to the Committee.
- 10.3 If any conditions must be fulfilled before an Option may be exercised, the Option will not be validly exercised unless and until the Committee is satisfied that those conditions have been fulfilled. Otherwise, the exercise date will be the date of receipt of the items referred to in **Rule 10.2**.
- 10.4 Subject to **Rule 11.1** and **Rule 11.3**, Shares will be transferred to a Participant or to someone else chosen by the Participant and notified in writing by the Participant to the Board (provided always that the Participant is the beneficial owner of such Shares) pursuant to the exercise of an Option within 30 days following the date on which such Option is exercised.

11. RESTRICTIONS ON VESTING AND EXERCISE

- 11.1 An Award shall not Vest, and in the case of an Option which has Vested, shall not be exercised unless and until the following conditions are satisfied:
- 11.1.1 the Vesting (or exercise) of the Award and the transfer of Shares or payment of cash after such Vesting (or exercise) would be lawful in all relevant jurisdictions and in compliance with the Listing Rules, the Share Dealing Code, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment; and
- 11.1.2 if, on the Vesting (or exercise) of the Award, a Tax Liability would arise by virtue of such Vesting (or exercise) and the Committee decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to **Rule 11.3** then the Participant must have entered into arrangements acceptable to the Committee that the relevant Group Company will receive the amount of such Tax Liability; and
- 11.1.3 where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA or any similar arrangements in any overseas jurisdiction.

For the purposes of this **Rule 11.1** references to Group Company include any former Group Company.

- 11.2 If a Participant will, or is likely to, incur any Tax Liability in respect of an Award before such Award Vests then that Participant must enter into arrangements acceptable to any relevant Group Company to ensure that it receives the amount of such Tax Liability prior to the time at which the Company (or the Participant's employer, if different) has to account for the Tax Liability concerned to HMRC. If no such arrangement is made then the Participant shall be deemed to have authorised the Company to withhold from any payment due from any Group Company to the Participant (including, but not limited to, any payment or payments

of salary or any bonus payable to the Participant) such amount as is necessary to ensure that the full amount of the Tax Liability concerned is recovered from the Participant and/or to procure the sale of such number of the Shares held by any person on behalf of the Participant as is sufficient to generate funds (after taking into account any expenses and/or costs of sale) to enable the Tax Liability to be discharged in full therefrom and to withhold an amount equal to such Tax Liability therefrom and to apply the same in order to discharge the Tax Liability concerned.

For the purposes of this **Rule 11.2**, references to Group Company include any former Group Company.

- 11.3 The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following the Vesting of their Award (including, in the case of an Award that is an Option, on the exercise of the Option) on the Participant's behalf to ensure that any relevant Group Company or former Group Company receives the amount required to discharge the Tax Liability which arises on Vesting (or exercise) except to the extent that the Committee decides that all or part of the Tax Liability shall be funded in a different manner.

12. **CASH ALTERNATIVE**

- 12.1 Where an Award (being a Conditional Award or an Option) Vests and Vested Shares have not yet been transferred to the Participant or to someone else chosen by the Participant to be held for and on behalf of the Participant, the Committee may, subject to obtaining the Participant's prior written consent, determine that, in substitution for their right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of the Participant's right to acquire those Shares), the Participant shall be paid a sum equal to the cash equivalent (as defined in **Rule 12.3**) of that number of Shares in accordance with the following provisions of this **Rule 12**.

- 12.2 This Rule shall not apply in relation to Awards made in any jurisdiction where the presence of this Rule would cause:

12.2.1 the operation of this Rule to be unlawful or for it to fall outside any applicable securities law exemption; or

12.2.2 adverse tax consequences for the Participant or any Group Company as determined by the Committee.

- 12.3 For the purpose of this **Rule 12**, the cash equivalent of a Share is the Market Value of a Share on the day when the Award Vests.

- 12.4 As soon as reasonably practicable after the Committee has determined under **Rule 12.1** that a Participant who has given their consent in accordance with **Rule 12.1** shall be paid a sum in substitution for such Participant's right to acquire any number of Vested Shares, the Company shall pay to the Participant or procure the payment to them of that sum in cash.

- 12.5 There shall be deducted from any payment under this **Rule 12** such amounts (on account of income tax, employee's national insurance contributions and/or employee's health and social care levy or similar liabilities) as may be required by law or as the Committee may reasonably consider to be necessary or desirable.

13. **MALUS & CLAWBACK**

- 13.1 The Committee may in its absolute discretion resolve to vary an Award held by a Participant in accordance with **Rule 13.2** in the following circumstances:

13.1.1 if any of the audited financial results for the Company are materially mis-stated;

13.1.2 if an error has been made in the calculation of the number of Shares or the amount of any cash payment to be delivered to a Participant pursuant to an

Award (whether on the basis of erroneous or misleading data or otherwise) which would, if not corrected, result in the Participant concerned receiving an Overpayment;

- 13.1.3 in the event that there is gross misconduct on the part of the Participant holding the Award concerned which in the Committee's opinion should lead to the summary dismissal of the Participant concerned;
 - 13.1.4 if the Company, any member of its Group and/or a relevant business unit has suffered serious reputational damage as a result of [a serious safety incident,] [serious regulatory censure,] the award holder's misconduct, or otherwise;
 - 13.1.5 if there has been a serious failure of risk management by the Company, any Group Company and/or relevant business unit;
 - 13.1.6 [if the Company suffers corporate failure;] or
 - 13.1.7 such other circumstances, where the Committee determines that this **Rule 13.1** should apply.
- 13.2 If the Committee determines in accordance with **Rule 13.1** that this **Rule 13.2** applies in respect of an Award then they may resolve that the number of Shares comprised in an Award held by the Participant that are not Vested Shares and/or Vested Shares in the case of an Option held by the Participant where the Option has not yet been exercised should be reduced (to nil if appropriate) and/or impose further conditions on an Award. The Participant concerned shall be bound by, and comply with, any resolution of the Committee pursuant to this **Rule 13.2** and the Award concerned shall be subject to the terms of such resolution.
- 13.3 The Committee may decide at any time within the period of three years following the Grant Date of an Award, that the Participant to whom such Award was granted shall be subject to Clawback:
- 13.3.1 if any of the audited financial results for the Company are materially mis-stated;
 - 13.3.2 if an error has been made in the calculation of the number of Shares or the amount of any cash payment to be delivered to a Participant pursuant to an Award (whether on the basis of erroneous or misleading data or otherwise) which would, if not corrected, result in the Participant concerned receiving an Overpayment;
 - 13.3.3 in the event that there is gross misconduct on the part of the Participant holding the Award concerned which in the Committee's opinion should lead to the summary dismissal of the Participant concerned;
 - 13.3.4 if the Company, any member of its Group and/or a relevant business unit has suffered serious reputational damage as a result of [a serious safety incident,] [serious regulatory censure,] the award holder's misconduct, or otherwise;
 - 13.3.5 if there has been a serious failure of risk management by the Company, any Group Company and/or relevant business unit;
 - 13.3.6 [if the Company suffers corporate failure;] or
 - 13.3.7 in the event that such other circumstances exist in which the Committee determines that this **Rule 13.3** should apply.
- 13.4 In any case where the Committee has determined that **Rule 13.3** applies in respect of a Participant, the Committee shall determine:
- 13.4.1 the appropriate amount to be recovered from the Participant concerned ("the Determined Sum"); and

- 13.4.2 whether or not the calculation of the Determined Sum, should take into account any income tax and/or national insurance contributions and/or health and social care levy actually paid by the Participant concerned and any possibility of such Participant being able to reclaim any such income tax and/or national insurance contributions and/or health and social care levy from the relevant tax authority.

The Participant shall be bound by the Committee's determination of the Determined Sum.

- 13.5 In any case where the Committee has determined that **Rule 13.3** applies in respect of a Participant, the Determined Sum may, at the discretion of the Committee, be recovered from the Participant in one or more of the following ways:

- 13.5.1 The Committee may reduce (including, if deemed appropriate, to zero) any of the following:

13.5.1.1 the amount of any future bonus which would, but for the operation of this **Rule 13**, be payable to the Participant concerned under any bonus plan operated by any Group Company; and/or

13.5.1.2 the extent to which any subsisting Award held by the Participant concerned Vests, notwithstanding any other provision applying to the Award in question; and/or

13.5.1.3 the number of Shares subject to any Award held by the Participant concerned, which have not yet Vested; and/or

13.5.1.4 the extent to which any subsisting right to acquire Shares granted to the Participant concerned under any employees' share scheme (other than the Plan or any Tax Advantaged Scheme) operated by any Group Company may vest or become exercisable, notwithstanding any other provisions applying to the right to acquire Shares in question; and/or

13.5.1.5 the number of Shares subject to any subsisting right to acquire Shares held by the Participant concerned under any employees' share scheme (other than the Plan or any Tax Advantaged Scheme) operated by any Group Company which have not yet vested in accordance with the terms applying to such subsisting right to acquire Shares.

- 13.5.2 The Committee may require the Participant to pay to such Group Company as the Committee may direct, and on such terms as the Committee may direct, (including, without limitation, on terms that the Determined Sum is deducted from the Participant's salary or from any other payment to be made to the Relevant Participant by any Group Company), such amount as is required in order for the Determined Sum to be recovered in full from the Participant.

A Participant shall be bound by, and comply with, any method of recovery determined by the Committee in accordance with the foregoing provisions of this **Rule 13.5**.

14. **LAPSE OF AWARDS**

- 14.1 An Award shall lapse immediately upon the earliest of:

14.1.1 a bankruptcy order being made in respect of the Participant (or any similar event relating to the insolvency of the Participant in any country other than the United Kingdom);

14.1.2 in the case of Option, the expiry of the Exercise Period relating to the Award unless one of **Rules 15** or **16** apply to the Award concerned and the relevant Rule specifies some other lesser period during which the Award may be exercised before it lapses;

14.1.3 subject as provided in **Rules 16.4** or **16.7**, on the commencement of the winding-up of the Company.

15. LEAVERS

15.1 If at any time a Participant's employment within the Group ends for any reason whatsoever (including by reason of the Participant's death) the following provisions of this **Rule 15** shall apply.

15.2 If:

15.2.1 a Participant dies before the Vesting Date of an Award, such Award shall, subject to **Rules 11.1, 13** and **14**, Vest in respect of all of the Shares over which it subsists as soon as reasonably practicable after the Participant's death unless the Committee determines otherwise; and

15.2.2 a Participant, holding an Award in the form of an Option which has Vested, dies prior to exercising the Option, such Participant's personal representatives shall, subject to **Rules 11.1, 13** and **14**, be entitled to exercise the Option concerned to the extent that it had Vested at the time of the Participant's death at any time during the twelve month period following the Participant's death. If not so exercised, the Option in question shall lapse immediately.

15.3 If a Participant ceases to be employed within the Group prior to the Vesting Date of an Award other than by virtue of either being a Bad Leaver or their death, the Award concerned shall not lapse but shall instead, subject to **Rules 11.1, 13** and **14**, Vest in respect of all of the Shares over which it subsists on the Vesting Date of the Award, or on such other earlier date as the Committee may, at its absolute discretion, specify following the Participant's cessation of employment. In the event that the Award concerned is an Option, such Option may, subject to **Rule 11.1, 13** and **14**, be exercised at any time in the period of six months following the date that it has so Vested. To the extent that any such Option is not so exercised it shall lapse immediately.

15.4 In the event that a Participant is a Bad Leaver then all Awards held by such Participant at the date of the Participant's cessation of employment within the Group shall lapse immediately upon such cessation.

15.5 A Participant shall not be treated for the purposes of this **Rule 15** as ceasing to be a director or employee within the Group until such time as they are no longer a director or employee of any Group Company. If any Participant is on leave from work in circumstances where they retain a statutory right to return to work at the end of the period of leave, the Participant shall be treated as continuing to be employed within the Group unless and until the Participant ceases to be entitled to exercise their right to return to work.

15.6 Notwithstanding any other provision of this **Rule 15** or of **Rule 16**, where an Award which is an Option has become exercisable in accordance with any of the foregoing provision of this **Rule 15** and the provisions of **Rule 16** subsequently apply (or vice versa), the period of time allowed for the exercise of such an Option shall be the first to expire under the relevant one of **Rules 15** pursuant to which the Option has become capable of exercise or under **Rule 16** (as the case may be).

16. TAKEOVERS AND OTHER CORPORATE EVENTS

16.1 The provisions of this **Rule 16** shall apply if any one or more of the events specified in this **Rule 16** occur at any time.

16.2 If any person (or any group of persons acting In Concert):

16.2.1 obtains Control of the Company as a result of making a general offer to acquire the whole of the issued share capital of the Company; or

- 16.2.2 obtains Control of the Company as a result of making a general offer to acquire all the shares in the Company which are of the same class as the Shares over which Awards subsist,

the Committee shall, within seven days after becoming aware of that event, notify every Participant of it and each Award shall subject to **Rules 11.1, 13, 14** and **16.6** Vest on the date of such notification in respect of all of the Shares over which it subsists if such Award has not then Vested and any Award which is an Option may, subject to **Rules 11.1, 13, 14** and **16.6** and subject as otherwise provided in **Rule 16.3**, be exercised at any time during the period of 89 days beginning with the time when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has been satisfied. Any Option not exercised within this period shall lapse immediately upon the expiry of the period.

- 16.3 If a person becomes bound or entitled to acquire Shares under sections 979 to 982 (inclusive) or 983 to 985 (inclusive) of the Companies Act 2006, the Committee shall notify each Participant who holds an Award which is an Option of such circumstances as soon as it becomes aware of them and such Participant may, subject to **Rules 11.1, 13, 14** and **16.6**, exercise any Award which is an Option then held by them at any time during which that person remains bound or entitled to acquire Shares under sections 979 to 982 (inclusive) or 983 to 985 (inclusive) of the Companies Act 2006. Any Option which is not exercised at the end of such period shall lapse immediately.

- 16.4 In the event that:

- 16.4.1 a compromise or arrangement is sanctioned by the Court under Part 26 of the Companies Act 2006 proposed for the purpose of or in connection with:

16.4.1.1 the acquisition of the whole or part of the issued ordinary share capital of the Company (or such part of such capital as is then not owned by the acquiror or any company Controlled by the acquiror and/or any person acting In Concert with the acquiror) as a result of which the acquiror (or any such companies and/or such other persons) may gain Control of the Company;

16.4.1.2 a scheme for the reconstruction of the Company or its amalgamation with another company;

- 16.4.2 a compromise or arrangement is sanctioned by the Court under section 901F of the Companies Act 2006 applicable to or affecting all of the ordinary share capital of the Company or all of the shares in the Company which are of the same class as the Shares subject to Awards; or

- 16.4.3 the Company passes a resolution for a voluntary winding up of the Company (except for the purposes or a reconstruction or amalgamation sanctioned by the Court under Part 26 of the Companies Act 2006 or for the purpose of a compromise or arrangement sanctioned by the Court under section 901F of the Companies Act 2006),

the Committee shall, within seven days after becoming aware of that event, notify every Participant of it and each Award shall subject to **Rules 11.1, 13, 14** and (in the case of any event falling within **Rule 16.4.1.1 or 16.4.2, Rule 16.6**) Vest on the date of such event in respect of all of the Shares over which it subsists if it has not then Vested and any Award which is an Option may, subject to **Rules 11.1, 13** and **14** and (in the case of any event falling within **Rule 16.4.1.1 or 16.4.2, Rule 16.6**), be exercised at any time during the period of 89 days beginning with the date of such notification. Any Option not exercised within this period shall lapse immediately upon the expiry of the period.

- 16.5 If a demerger, special dividend or other similar event (**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 shall apply:

- 16.5.1 the Committee shall, as soon as reasonably practicable after deciding to apply these provisions and subject to **Rules 11.1, 13 and 14**, notify each Participant that each Award that they hold Vests either conditionally upon the Relevant Event occurring or on the date of such notification in respect of all the Shares over which it subsists and, that if the Award in question was in the form of an Option, that the Option may be exercised on such terms as the Committee may determine and, subject to **Rule 11.1 and 14**, during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine;
- 16.5.2 if pursuant to the Committee's determination under **Rule 16.5.1**, an Award Vests conditionally upon the Relevant Event and such event does not occur then the conditional Vesting shall not be effective and the Award shall continue to subsist; and
- 16.5.3 if an Award is an Option that becomes exercisable in accordance with this **Rule 16.5** but is not exercised during the relevant period determined by the Committee, the Option shall, subject to **Rule 14**, lapse immediately on the expiry of such period.
- 16.6 In the event that a company (**Acquiring Company**) is expected to obtain Control of the Company as a result of an offer referred to in **Rule 16.2** or a compromise or arrangement referred to in **Rule 16.4.1.1** or **16.4.2** 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 16.2, Rule 16.4.1.1** or **16.4.2** 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. If the Committee so decides (having obtained the Acquiring Company's consent) that any Award shall be automatically surrendered in the manner described in the foregoing provisions of this **Rule 16.6**, the Participant holding such Award shall be bound to comply with such decision.

The Rules will apply to any new award granted under this **Rule 16.6** 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.

- 16.7 In the event that a Nationalisation is proposed, the Committee shall notify each Participant:
- 16.7.1 holding an Award other than an Option, that such Award shall, subject to **Rules 11.1, and 14**, Vest at such time before the Nationalisation occurs as the Committee may determine;
- 16.7.2 holding an Option, that such Option shall, subject to **Rules 11.1 and 14**, Vest and may be exercised on such terms as the Committee shall determine, during such period expiring before the Nationalisation occurs as the Committee may determine.

In the event that the Committee notifies a Participant in respect of an Award pursuant to this **Rule 16.7**, the Award shall, subject to **Rule 13**, Vest (and in the case of an Option, shall be capable of exercise) in respect of all of the Shares subject to the Award concerned in accordance with the terms of such notification. If, pursuant to the foregoing provisions of this **Rule 16.7**, the Committee determines that an Award shall Vest conditionally upon the occurrence of an event preceding the Nationalisation, and such event does not occur, then the conditional Vesting shall not be effective and the Award shall continue to subsist. If, pursuant to the foregoing provisions of this **Rule 16.7**, the Committee determines that an Option may be exercised conditionally upon the occurrence of an event preceding the Nationalisation and such event does not occur, then the conditional exercise shall not be effective and the Option shall continue to subsist. In the event that an Option becomes capable of exercise pursuant to the foregoing provisions of this **Rule 16.7** but is not exercised before the expiry of the period during which such exercise may occur as determined by the Committee, the Option shall, subject to **Rule 14**, lapse immediately on the expiry of such period.

For the avoidance of doubt, the foregoing provisions of this **Rule 16.7** shall apply mutatis mutandis to each and every Award held by any Participant at the date upon which the Committee notifies each Participant of the proposed Nationalisation.

- 16.8 For the purpose of **Rule 16.7**, a “Nationalisation” shall mean the transfer of the business and/or undertaking of the Group or a significant part thereof (as determined by the Committee) into state ownership or control, howsoever effected (including, but not limited to, any such transfer pursuant to an act of parliament or other regulation or legislation, a transfer of the business and assets of the Company and/or any Subsidiary of the Company or a significant part thereof or a transfer of the shares in the capital of the Company or shares in the capital of any Subsidiary of the Company, in each case for the purpose of enabling or facilitating the business and/or undertaking of the Group or a significant part thereof to come under state ownership or control).

17. **ADJUSTMENT OF AWARDS**

- 17.1 In the event of an Issue or Reorganisation the Committee may make such adjustments as it considers appropriate to the number of Shares and/or the nominal value of the Shares comprised in an Award.
- 17.2 Notice of any adjustments made pursuant to **Rule 17.1** shall be given to the Participants by the Committee, which may call in Award Certificates for endorsement or replacement.

18. **AMENDMENTS**

- 18.1 Subject to **Rules 18.2** and **18.3**, these Rules may be amended in any manner by resolution of the Committee from time to time.

- 18.2 Notwithstanding any other provision of these Rules, no amendment shall be made to the following provisions of these Rules without the prior approval of the Company's shareholders in general meeting:

18.2.1 **Rule 4;**

18.2.2 this **Rule 18.2.**

- 18.3 Subject as provided in **Rule 18.4**, no amendment to the material disadvantage of Participants shall be made under **Rule 18.1** unless:

18.3.1 the Board shall have invited every Participant who would be affected by the proposed amendments to indicate whether or not they approve the amendment;
and

18.3.2 the amendment is approved by a majority of such relevant Participants.

- 18.4 Notwithstanding the provisions of **Rules 18.3**, the Committee may make minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any Participant or any Group Company.

19. **EMPLOYMENT RIGHTS**

- 19.1 The rights and obligations of any Participant under the terms of their office or employment with the Company (or any Group Company or former Group Company) shall not be affected by being an Participant. Nothing in this Plan confers upon the Participant any right to continue in the employment of the Company (or any Group Company or former Group Company), or will affect the right of the Company (or any Group Company or former Group Company) to terminate the employment of the Participant. The Plan shall not form part of any contract of employment between the Company, any Group Company or any former Group Company and any employees of those companies, and it shall not confer on any such employees any legal or equitable rights (other than those constituting the Awards themselves) against the Company, any Group Company or any former Group Company,

directly or indirectly, or give rise to any cause of action in law or in equity against the Company, any Group Company or any former Group Company.

19.2 The benefits to Eligible Employees or Participants under the Plan shall not form any part of their wages or remuneration or count as pay or remuneration for pension fund or other purposes.

19.3 Participants shall have no right to any compensation or damages from any Trustee, the Company, any Group Company or any former Group Company in respect of any loss of any right or benefit or prospective right or benefit under the Plan which arises (or is claimed to arise), in whole or in part, from:

19.3.1 termination of office or employment with; or

19.3.2 notice to terminate office or employment given by or to,

the Company, any Group Company or any former Group Company. This exclusion of liability shall apply however termination of office or employment, or the giving of notice, is caused and however compensation or damages may be claimed.

19.4 Participants shall have no right to compensation or damages from any Trustee, the Company, any Group Company or any former Group Company in respect of any loss of any right or benefit or prospective right or benefit under the Plan which arises (or is claimed to arise), in whole or in part, from:

19.4.1 any company ceasing to be a Group Company; or

19.4.2 the transfer of any business from a Group Company to any person that is not a Group Company.

This exclusion of liability shall apply however the change of status of the relevant Group Company, or the transfer of the relevant business, is caused, and however compensation or damages may be claimed.

19.5 The granting of an Award on a particular basis or to a particular Participant in any year does not create any right or expectation of the grant of Awards on the same basis, or at all, or to any particular individual in that or any subsequent year.

20. MISCELLANEOUS

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

20.2 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 of or omission to exercise any such power or discretion.

20.3 The Committee may at any time resolve to terminate the Plan in which event no further Awards shall be granted but the provisions of the Plan shall, in relation to the Awards then subsisting, continue in full force and effect.

20.4 Shares transferred to satisfy any Award shall be transferred without the benefit of any rights attaching to the Shares by reference to a record time or date prior to the time or date on which the Participant first became entitled to receive the Shares.

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

20.5.1 by personal delivery or by post, in the case of a company to its registered office, and in the case of an individual to their last known address, or, where they are a director or employee of a Group Company, either to their last known address

or to the address of the place of business at which they perform the whole or substantially the whole of the duties of their office or employment;

20.5.2 in an electronic communication to their usual business address or such other address for the time being notified for that purpose to the person giving the notice; or

20.5.3 by such other method as the Committee determines.

20.6 Any notice sent by post shall be deemed to have been properly served 48 hours after an envelope containing such notice and properly addressed has been posted by first class post.

20.7 The Company shall make returns of all Awards granted, all Conditional Awards that have Vested and all Options that have been exercised and shall provide such other information relating to the Participants as may from time to time be required by HMRC.

21. **DATA PROTECTION**

Any personal data for any purpose relating to any Eligible Employee and/or Participant that is used in connection with the Plan shall be processed in accordance with the Employee Privacy Notice as from time to time amended. A copy of the current Employee Privacy Notice will be available from the Company's intranet or on request by contacting the Company Secretary.

22. **GOVERNING LAW**

The formation, existence, construction, performance, validity and all aspects whatsoever of the Plan, any term of the Plan and any Award granted under it shall be governed by English law. The English courts shall have jurisdiction to settle any disputes which may arise out of, or in connection with, the Plan. The jurisdiction provisions contained in this **Rule 22** are made for the benefit of the Company and any Trustee only, which accordingly retain the right to bring proceedings in any other court of competent jurisdiction.