

**UNITED UTILITIES GROUP PLC**

---

**RULES OF THE UNITED UTILITIES GROUP PLC  
LONG TERM PLAN  
2013**

---

Adopted by the shareholders of the Company in general meeting on 26 July 2013

Amended by the Committee on 24 May 2016

Further amended by the Committee on 14 March 2017 and subsequently  
on 20 March 2018 and 19 November 2019 respectively

## CONTENTS

<b>RULE</b>		<b>PAGE</b>
1	DEFINITIONS AND INTERPRETATION .....	3
2	ELIGIBILITY .....	6
3	GRANT OF AWARDS.....	6
4	PERFORMANCE CONDITION .....	9
5	VESTING OF AWARDS.....	9
6	CONSEQUENCES OF VESTING.....	10
7	EXERCISE OF OPTIONS.....	10
8	RESTRICTIONS ON VESTING AND EXERCISE .....	11
9	CASH ALTERNATIVE.....	12
10	PLAN LIMITS .....	13
11	MALUS & CLAWBACK.....	14
12	LAPSE OF AWARDS.....	16
13	LEAVERS.....	17
14	TAKEOVERS AND OTHER CORPORATE EVENTS .....	19
15	ADJUSTMENT OF AWARDS .....	21
16	AMENDMENTS.....	21
17	EMPLOYMENT RIGHTS .....	22
18	MISCELLANEOUS.....	23

## 1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless the context otherwise requires:

**Adoption Date** means the day on which the Plan is adopted by the Company in general meeting;

**Amendment Date** means 14 March 2017;

**Award** means a Conditional Award, a Cash Award or an Option granted under this Plan;

**Bad Leaver** means a Participant ceasing to be a director or employee of a Group Company in circumstances where his employing company is entitled to dismiss him without notice, save in the case of long term sick leave;

**Band 1 Executive** means an Eligible Employee who is categorised as a band 1 employee within the Company's remuneration structure;

**Board** means the board of directors of the Company or a duly authorised committee of the Board (which includes the Committee) or a duly authorised person;

**Cash Award** means a right to receive a cash amount which relates to the value of a certain number of notional Shares granted under the Plan which is designated as a cash award by the Committee under Rule 3.2 (*Type of Award*);

**Clawback** means, in relation to a Participant, an obligation to repay or have recovered from him any amount pursuant to the provisions of Rules 11.7 to 11.8 inclusive;

**Committee** means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rule 14 (*Takeovers and other corporate events*), the remuneration committee of the Board as constituted immediately before such event occurs;

**Company** means United Utilities Group PLC (registered in England and Wales with registered number 6559020);

**Conditional Award** means a conditional right to acquire Shares granted under the Plan which is designated as a conditional award by the Committee under Rule 3.2 (*Type of Award*);

**Control** means control within the meaning of section 995 of the Income Tax Act 2007;

**Dealing Day** means any day on which the London Stock Exchange is open for the transaction of business;

**Dividend Equivalent** means a benefit calculated by reference to dividends paid on Shares as described in Rule 3.6 (*Dividend Equivalents*);

**Eligible Employee** means an employee or executive director of a Group Company;

**Employee Privacy Notice** means 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;

**Employees' Share Scheme** means an employees' share scheme adopted by a Group Company where participation is offered to employees of a Group Company;

**Exercise Period** means the period commencing on the date on which the Option Vests 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) subject to it lapsing earlier under Rule 13 (*Leavers*) or Rule 14 (*Takeovers and other corporate events*);

**Financial Year** means a financial year of the Company within the meaning of section 390 of the Companies Act 2006;

**Good Leaver** means a Participant who ceases to be a director or employee of a Group Company as a result of:

- (a) ill health, injury or disability;
- (b) a transfer of the undertaking or part undertaking in which the Participant is employed to a person who is not a Group Company;
- (c) the company in which the Participant is employed ceasing to be under the Control of the Company; or
- (d) such other reason as the Committee may in its discretion approve provided that this may not in any circumstances include a Bad Leaver;

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

**Group Company** means:

- (a) the Company, any Subsidiary of the Company, a body corporate which is the Company's holding company (within the meaning of section 1159 of the Companies Act 2006) or a Subsidiary of the Company's holding company;
- (b) a body corporate which is a subsidiary undertaking (within the meaning of section 1162 of the Companies Act 2006) of a body corporate within paragraph (a) above and has been designated by the Board for this purpose; and
- (c) any other body corporate in relation to which a body corporate within paragraph (a) or (b) above is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights and has been designated by the Board for this purpose;

**Holding Period** means:

- (a) in respect of an Award granted before the Relevant Date, the period, if any, from the end of the Performance Period until the Vesting Date, as may be specified by the Committee under Rule 3.1(d) (*Terms on Grant*), provided that in the case of executive directors of the Company as a minimum the Holding Period shall be such period of time so that the total length of the Performance Period and the Holding Period when added together will be a minimum of five years; and
- (b) in respect of an Award granted on or after the Relevant Date, such period, if any, commencing from the end of the Performance Period relating to such Award, as is determined by the Committee pursuant to Rule 3.1(d) (*Terms on Grant*), provided that in the case of any Award granted to an executive director of the Company, such Holding Period shall not end before the later of: (i) the fifth anniversary of the Grant Date of such Award; and (ii) the fifth anniversary of the start of the Performance Period;

**Initial Leaver Period** means the period of three years from the start of the Performance Period;

**ITEPA** means the Income Tax (Earnings & Pensions) Act 2003;

**Listing Rules** means the Listing Rules published by the United Kingdom Listing Authority or any successor body;

**London Stock Exchange** means London Stock Exchange plc or any successor to that company;

**Option** means a conditional right to acquire Shares with a nil or nominal exercise price which is designated as an option by the Committee under Rule 3.2 (*Type of Award*);

**Overpayment** means, in relation to an Award, a payment or delivery of Shares to the Participant holding such Award in excess of the payment 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 11.4(b) (where that Rule is applicable to the Award in question) or Rule 11.6(b) (where that Rule is applicable to the Award in question) not occurred;

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

**Performance Condition** means the performance condition imposed as a condition of the Vesting of an Award under Rule 4.1 (*Imposition of Performance Condition*), as determined by the Committee;

**Performance Period** means the period over which the Performance Condition must be satisfied, being the three years commencing on the Grant Date or, if earlier, the date of the beginning of the Financial Year in which the Award is granted, or such other period as the Committee may specify prior to the grant of an Award provided that the period shall be at least three years;

**Plan** means the United Utilities Group PLC Long Term Plan 2013 as amended from time to time;

**Plan Period** means the period starting on the Adoption Date and ending on the day before the tenth anniversary of that date;

**Relevant Date** means 28 June 2019;

**Relevant Participant** means any Participant who:

- (a) at the time of grant of an Award to such Participant was a Band 1 Executive; or
- (b) is a person who has been notified in writing at any time on or prior to the grant of an Award that he shall be subject to the provisions of Rules 11.6 to 11.8 inclusive.

**Rule** means a rule of the Plan;

**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 Advantaged Scheme** means any scheme which meets the requirements of Schedule 2 of ITEPA, or Schedule 3 of ITEPA or Schedule 4 of ITEPA;

**Tax Liability** means any amount of tax, employee's national insurance contributions or other similar charges for which a 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;

**Variation** means in relation to the equity share capital of the Company a capitalisation issue, a rights issue or open offer, a subdivision, a consolidation, reduction or other variation or any special dividend or dividend in specie, demerger or such other circumstances as the Committee may determine;

**Vest** means a Participant becoming entitled to have Shares transferred to him (or his nominee) or to exercise his Option over such Shares to the extent the Performance Condition has been satisfied, and if applicable, the necessary Holding Period has been completed subject to the Rules and **Vesting** shall be construed accordingly;

**Vested Shares** means those Shares in respect of which an Award Vests; and

**Vesting Date** means:

- (a) in respect of any Award granted before the Relevant Date, the date when the Award normally Vests being the date, following the end of the Performance Period, on which the Committee determines the extent of which Performance Condition has been satisfied, or, if relevant, the end of the Holding Period, or such date as may be specified by the Committee under Rule 3.1(c) (*Terms on grant*); and
- (b) in respect of any Award granted on or after the Relevant Date, the date when the Award normally Vests being the date, following the end of the Performance Period, on which the Committee determines the extent to which Performance Condition has been satisfied, or, if relevant, the end of the Holding Period relating to the Award concerned.

1.2 Any reference in the Plan to any law includes a reference to that law as from time to time modified, extended or re-enacted.

1.3 Expressions in italics and headings are for guidance only and do not form part of the Plan.

## **2 ELIGIBILITY**

An individual is eligible to be granted an Award in any Financial Year of the Company only if he is an Eligible Employee at the time of the grant of an Award.

## **3 GRANT OF AWARDS**

### **3.1 Terms on grant**

Subject to Rule 3.8 (*Approvals and consents*) and Rule 3.4 (*Timing of grant*), the Committee may resolve that an Award should be granted:

- (a) on the terms set out in the Plan;
- (b) on such additional terms or conditions as the Committee may specify;
- (c) subject to such Vesting Date as the Committee may specify; and

(d) subject to such Holding Period, if any, as the Committee may specify to any Eligible Employee 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:

- (a) the size of the Award (if any) to be granted to the Participant; and
- (b) whether an Award shall be an Option, a Conditional Award or a Cash Award.

If the Committee does not specify the type of Award on or before the Grant Date, the Award will be a Conditional Award.

### 3.3 **Individual limit**

Any Award shall be limited and take effect so that immediately following such grant no Participant has been granted in respect of any Financial Year Awards over Shares (including notional Shares for Cash Awards) with a total market value, measured on their Grant Dates in excess of 200 per cent of his salary (being the annual basic rate of pay for the Participant at the relevant Date of Grant).

For the purposes of this Rule 3.3:

- (a) the **market value** of the Shares over which the Award is granted shall be taken to be an amount equal to:
  - (i) the middle-market quotation of such Shares (as derived from the London Stock Exchange Daily Official List) on the Dealing Day immediately prior to the Grant Date;
  - (ii) if the Committee so determines, the average of the middle-market quotations during a period determined by the Committee not exceeding the period of five Dealing Days ending with the Dealing Day immediately prior to the Grant Date; or
  - (iii) such value of a Share as the Committee reasonably determinesprovided that, in all cases such Dealing Day(s) do not fall within any period when dealings in Shares are prohibited under the Company's share dealing code; and
- (b) the number of Shares, including notional Shares in the case of a Cash Award, comprised in an Award shall be the nearest whole number of Shares (rounded down).

### 3.4 **Timing of grant**

The Committee may decide, at its absolute discretion, when Awards should be granted. However, subject to Rule 3.8 (*Approvals and consents*), Awards may only be granted within the period of 42 days starting on:

- (a) the Dealing Day after the Adoption Date;
- (b) the Dealing Day after the day on which the Company makes an announcement of its results for the last preceding Financial Year, half-year or other period; or

- (c) if Awards cannot be granted under (a) or (b) above due to restrictions on the grant of Awards under Rule 3.8 (*Approvals and consents*), the Dealing Day after the day on which any such restrictions are lifted.

If the Committee considers that there are exceptional circumstances which justify the grant of Awards outside any of the periods set out above, the Committee may decide for the purpose of that grant that Awards may be granted at another time.

The Committee shall, as soon as reasonably practicable after the Grant Date, issue to each Participant an award certificate.

No Award can be granted after the expiry of the Plan Period.

### 3.5 **Method of grant**

An Award shall be granted by deed executed by the Company.

### 3.6 **Dividend Equivalents**

The Committee may decide on or before the grant of an Award that a Participant (or his nominee) shall be entitled to cash and/or Shares (as determined by the Committee) of a value determined by reference to the dividends that would have been paid on his Vested Shares in respect of dividend record dates occurring during the period between the Grant Date and the Vesting Date. 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 3.6, the Committee shall have complete discretion to decide the basis on which the Dividend Equivalent should be calculated or paid.

### 3.7 **Method of satisfying Awards**

Subject to Rule 9 (*Cash Alternative*), unless specified otherwise by the Committee on or before the Grant Date, a Conditional Award and/or an Option may be satisfied by:

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

### 3.8 **Approvals and consents**

The grant of any Award shall be subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers or any other UK or overseas regulation or enactment.

### 3.9 **Non-transferability and bankruptcy**

An Award granted to any person shall lapse immediately if:

- (a) transferred, assigned, charged or otherwise disposed of (except on his death when it may be transmitted to his personal representatives); or
- (b) he is declared bankrupt (unless the Committee decides otherwise).



## **4 PERFORMANCE CONDITION**

### **4.1 Imposition of Performance Condition**

On the grant of an Award, the Committee shall impose the Performance Condition.

### **4.2 Performance Condition can no longer be satisfied**

If the Committee determines that the Performance Condition has not been satisfied, either in whole nor in part, in relation to an Award the Award shall lapse to that extent immediately.

### **4.3 Substitution or variation of Performance Condition**

(a) If an event occurs which causes the Committee to consider that the Performance Condition, or any condition imposed pursuant to Rule 3.1(b), subject to which the outstanding Award has been granted is no longer appropriate, the Committee may substitute or vary the Performance Condition or the condition in such manner (and make such consequential amendments to the Rules) as:

- (i) is reasonable in the circumstances; and
- (ii) produces a more appropriate measure of performance and is materially no easier to satisfy.

(b) The outstanding Award shall then take effect subject to the Performance Condition or the condition as so substituted or varied.

### **4.4 Notification of Participant**

The Committee shall, as soon as reasonably practicable, notify the Participant concerned of any determination made by it under Rule 4.2 (*Performance Condition can no longer be satisfied*) or any substitution, variation or waiver of the Performance Condition under Rule 4.3 (*Substitution or variation of Performance Condition*) and explain how it affects his position under the Plan.

## **5 VESTING OF AWARDS**

### **5.1 Vesting of Awards**

Subject to Rule 8.1 (*Regulatory and tax issues*), an Award shall Vest on the Vesting Date to the extent the Performance Condition has been satisfied, except where earlier Vesting occurs under Rule 13 (*Leavers*) or Rule 14 (*Takeovers and other corporate events*).

### **5.2 Testing of the Performance Condition**

As soon as practicable after the end of the Performance Period or on such date as the Committee determines, the extent to which the Performance Condition has been satisfied shall be determined by the Committee and the number of Shares in respect of which the Award shall Vest shall be calculated.

## **6 CONSEQUENCES OF VESTING**

### **6.1 Conditional Awards**

Within 30 days of the Vesting Date of a Conditional Award (or as soon as reasonably practicable), the Board shall, subject to Rule 8.1 (*Regulatory and tax issues*) and Rule 8.3 (*Payment of Tax Liability*), procure the transfer of the Vested Shares to the Participant (or a nominee for him).

### **6.2 Options**

An Option shall, subject to Rule 8.1 (*Regulatory and tax issues*) and Rule 8.3 (*Payment of Tax Liability*), be exercisable in respect of Vested Shares during the Exercise Period subject to it lapsing earlier under Rule 13 (*Leavers*) or Rule 14 (*Takeovers and other corporate events*).

### **6.3 Cash Awards**

Within 30 days of the Vesting Date of a Cash Award (or as soon as reasonably practicable), the Board shall, subject to Rule 8.1 (*Regulatory and tax issues*), pay to the Participant a cash sum (after making all necessary deductions, on account of tax 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 notional Vested Shares. For the purposes of this Rule 6.3, the **market value** of the notional Vested Shares shall be taken to be an amount equal to the middle-market quotation of such Shares (as derived from the London Stock Exchange Daily Official List) on the Vesting Date (or if the Vesting Date is not a Dealing Day, the Dealing Day immediately prior to the Vesting Date).

### **6.4 Provision of Dividend Equivalents**

The provision of the Dividend Equivalent to the Participant shall be made as soon as practicable after the issue or transfer of Vested Shares and:

- (a) in the case of a cash payment, shall be subject to such deductions (on account of tax or similar liabilities) as may be required by law or as the Committee may reasonably consider to be necessary or desirable; or
- (b) in the case of a provision of Shares, Rule 8.1 (*Regulatory and tax issues*) and Rule 8.3 (*Payment of Tax Liability*) shall apply as if such provision was the Vesting of an Award.

## **7 EXERCISE OF OPTIONS**

### **7.1 Exercise in whole or in part**

An Option must be exercised to the maximum extent possible at the time of exercise unless the Committee decides that a Participant may exercise his Option in respect of such fewer number of Shares as it decides.

### **7.2 Manner of exercise**

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 8.1 (*Regulatory and tax issues*), take effect only when the Company receives it, together with, where applicable, payment relating to:

- (a) the exercise price payable on the exercise of the Option (if any); and
- (b) the Tax Liability,

or an agreement to secure that such a payment is made under arrangements acceptable to the Committee.

### 7.3 **Exercise Date**

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 7.2 (*Manner of exercise*).

### 7.4 **Issue or transfer of Shares**

Subject to Rule 8.1 (*Regulatory and tax issues*) and Rule 8.3 (*Payment of Tax Liability*), Shares will be allotted or transferred to a Participant (or his nominee) pursuant to the exercise of an Option within 30 days following the exercise date.

## **8 RESTRICTIONS ON VESTING AND EXERCISE**

### 8.1 **Regulatory and tax issues**

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:

- (a) the Vesting (or exercise) of the Award and the issue or transfer of Shares after such Vesting (or exercise) would be lawful in all relevant jurisdictions and in compliance with the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;
- (b) if, on the Vesting (or exercise) of the Award, a Tax Liability would arise by virtue of such Vesting (or exercise) and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 8.3 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Company will receive the amount of such Tax Liability; and
- (c) 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 8.1 references to Group Company include any former Group Company.

### 8.2 **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 Company to ensure that it receives the amount of such Tax Liability. If no such arrangement is made then the Participant shall 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 Company 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 8.2, references to Group Company include any former Group Company.

### **8.3 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 (including, in the case of an Award that is an Option, on the exercise of the Option) on his 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 Board decides that all or part of the Tax Liability shall be funded in a different manner.

## **9 CASH ALTERNATIVE**

### **9.1 Committee determination**

Where an Award Vests and Vested Shares have not yet been issued or transferred to the Participant (or his nominee), the Committee may, subject to obtaining the Participant's prior written consent, 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 a sum equal to the cash equivalent (as defined in Rule 9.3 (*Cash equivalent*)) of that number of Shares in accordance with the following provisions of this Rule 9.

### **9.2 Limitation on the use of this Rule**

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

- (a) the operation of this Rule to be unlawful or for it to fall outside any applicable securities law exemption; or
- (b) adverse tax consequences for the Participant or any Group Company as determined by the Board.

### **9.3 Cash equivalent**

For the purpose of this Rule 9, the cash equivalent of a Share is the market value of a Share on the day when the Award Vests.

Market value on any day shall be determined as follows:

- (a) the middle-market quotation of a Share (as derived from the London Stock Exchange Daily Official List) on the Dealing Day immediately prior to the Vesting Date; or
- (b) such other value of a Share as the Committee reasonably determines.

### **9.4 Payment of cash equivalent**

As soon as reasonably practicable after the Committee has determined under Rule 9.1 (*Committee determination*) that a Participant who has given his consent in accordance with Rule 9.1 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.

## 9.5 Deductions

There shall be deducted from any payment under this Rule 9 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.

## 10 PLAN LIMITS

### 10.1 10% limit

The number of Shares which may be allocated, as defined in Rule 10.4 (*Meaning of allocated*), under the Plan on any day shall not, when added to the aggregate of the number of Shares which have been allocated in the previous 10 years under the Plan and any other Employees' Share Scheme adopted by the Company, exceed that number of Shares that represents 10% of the ordinary share capital of the Company in issue immediately prior to that day.

### 10.2 5% limit

The number of Shares which may be allocated, as defined in Rule 10.4 (*Meaning of allocated*), under the Plan on any day shall not, when added to the aggregate of the number of Shares which have been allocated in the previous 10 years under the Plan and any other Employees' Share Scheme adopted by the Company which is a discretionary share plan, exceed that number of Shares that represents 5% of the ordinary share capital of the Company in issue immediately prior to that day.

### 10.3 Exclusions from the limits

In calculating the limits in Rules 10.1 (*10% limit*) and 10.2 (*5% limit*), where:

- (a) the right to acquire any Shares was released or lapsed without being exercised; or
- (b) after the grant of an option, award or contractual right to acquire Shares the Committee determines that:
  - (i) it shall be satisfied by the payment of a cash equivalent; or
  - (ii) it shall be satisfied by the transfer of existing Shares (other than Shares transferred out of treasury); or
- (c) partnership shares are awarded under any share incentive plan operated by the Company and approved by HM Revenue & Customs under Schedule 2 of ITEPA;

such Shares will be disregarded.

### 10.4 Meaning of allocated

References to "allocated" Shares mean, in the case of any share option plan, the placing of unissued shares under option and, in relation to other types of Employees' Share Scheme, means the issue and allotment of Shares or transfer of Shares out of treasury (including any issue and allotment of Shares, or transfer of Shares out of treasury, to any trustees to satisfy the exercise of any option, award or contractual right granted under any Employees' Share Scheme unless such Shares are already treated as allocated under this Rule 10.4).

## 10.5 **Adjustment to Shares to be taken into account**

Where Shares which have been issued under the Plan or any other Employees' Share Scheme of the Company are to be taken into account for the purposes of the limits in Rule 10.1 (*10% limit*) and 10.2 (*5% limit*) and a Variation has taken place between the date of issue of those Shares and the date on which the limit is to be calculated, then the number of Shares taken into account for the purposes of the limit will be adjusted in the manner the Committee considers appropriate to take account of the Variation.

## 10.6 **Effect of limits**

Any Award shall be limited and take effect so that the limits in this Rule 10 are complied with.

## 11 **MALUS & CLAWBACK**

### 11.1 **Application of this Rule 11**

The provisions of Rules 11.2 and 11.3 shall apply to all Awards granted prior to the Amendment Date but not in respect of any Award granted on or after the Amendment Date. The provisions of Rules 11.4 to 11.8 (inclusive) shall apply in relation to all Awards granted on or after the Amendment Date but not in relation to any Award granted prior to the Amendment Date.

### 11.2 **Circumstances for Malus to apply in relation to Awards granted pre-Amendment Date**

Subject to Rule 11.1, the Committee may in its absolute discretion resolve to vary an Award in accordance with Rule 11.3 in the following circumstances:

- (a) if any of the audited financial results for the Company are materially mis-stated;
- (b) if the Company, any Group Company and/or a relevant business unit has suffered serious reputational damage as a result of the Participant's misconduct or otherwise;
- (c) if there has been a serious failure of risk management by the Company, any Group Company and/or a relevant business unit; or
- (d) such other circumstances, where the Committee determines that this Rule 11.2 should apply.

### 11.3 **Variation of Awards granted pre-Amendment Date**

If the Committee determines in accordance with Rule 11.2 that this Rule 11.3 applies then the Committee may resolve that the number of Shares comprised in an Award that are not Vested Shares and/or Vested Shares in the case of an Option where the Option has not yet been exercised should be reduced (to nil if appropriate) and/or impose further conditions on an Award.

### 11.4 **Circumstances for Malus to apply in relation to Awards granted on or after the Amendment Date**

Subject to Rule 11.1, the Committee may in its absolute discretion resolve to vary an Award held by a Participant in accordance with Rule 11.5 in the following circumstances:

- (a) if any of the audited financial results for the Company are materially mis-stated;
- (b) 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 (for example, but not limited to, an error in the assessment of any Performance Condition imposed on the Award pursuant to Rule 4.1) which would, if not corrected, result in the Participant concerned receiving an Overpayment;

- (c) 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;
- (d) if the Company, any Group Company and/or a relevant business unit has suffered serious reputational damage as a result of the Participant's misconduct or otherwise;
- (e) if there has been a serious failure of risk management by the Company, any Group Company and/or a relevant business unit; or
- (f) such other circumstances, where the Committee determines that this Rule 11.4 should apply.

#### **11.5 Variation of Awards granted on or after the-Amendment Date**

If the Committee determines in accordance with Rule 11.4 that this Rule 11.5 applies then the Committee 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.

#### **11.6 Circumstances for Clawback to apply in relation to Awards granted on or after the-Amendment Date**

Subject to Rule 11.1, the Committee may decide at any time within the period of two years following the date on which it determines the extent to which the Performance Condition applying to an Award has been satisfied, that the Relevant Participant to whom that Award was granted shall be subject to Clawback if:

- (a) any of the audited financial results for the Company are materially mis-stated;
- (b) an error has been made in the calculation of the number of Shares or the amount of any cash payment delivered or deliverable to a Relevant Participant pursuant to an Award (for example, but not limited to, an error in the assessment of any Performance Condition imposed on the Award pursuant to Rule 4.1) which has resulted or shall result in the Relevant Participant concerned receiving an Overpayment in respect of that Award; or
- (c) there is gross misconduct on the part of the Relevant Participant holding the Award concerned which in the Committee's opinion would have led to the summary dismissal of the Relevant Participant concerned had the relevant conduct taken place and been known before the relevant payment, or delivery of Shares, (as the case may be) to the Relevant Participant.

#### **11.7 Amount to be subject to Clawback**

In any case where the Committee has determined that Rule 11.6 applies in respect of a Relevant Participant, the Committee shall determine:

- (a) the appropriate amount to be recovered from the Relevant Participant concerned ("the Determined Sum"); and
- (b) whether or not the calculation of the Determined Sum, should take into account any income tax and/or national insurance actually paid by the Relevant Participant

concerned and any possibility of such Relevant Participant being able to reclaim any such income tax and/or national insurance contributions from the relevant tax authority.

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

#### **11.8 Satisfaction of the Clawback**

In any case where the Committee has determined that Rule 11.6 applies in respect of a Relevant Participant, the Determined Sum may, at the discretion of the Committee, be recovered from the Relevant Participant in one or more of the following ways:

- (a) The Committee may reduce (including, if deemed appropriate, to zero) any of the following:
  - (i) the amount of any future bonus which would, but for the operation of this Rule 11, be payable to the Relevant Participant concerned under any bonus plan operated by any Group Company; and/or
  - (ii) the extent to which any subsisting Award held by the Relevant Participant concerned Vests, notwithstanding any other provision applying to the Award in question; and/or
  - (iii) the number of Shares subject to any Award held by the Relevant Participant concerned, which have not yet Vested; and/or
  - (iv) the extent to which any subsisting right to acquire Shares granted to the Relevant 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
  - (v) the number of Shares subject to any subsisting right to acquire Shares held by the Relevant 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.
- (b) The Committee may require the Relevant 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 Relevant 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 Relevant Participant.

A Relevant 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 11.8.

#### **12 LAPSE OF AWARDS**

An Award shall lapse in accordance with the Rules.



## 13 LEAVERS

### 13.1 Restriction for leavers

The Vesting of Awards and exercise of Options in Rule 13.2 (*Death*), Rule 13.3 (*Other leavers during the Initial Leaving Period*), Rule 13.4 (*Other leavers after the Initial Leaver Period*), Rule 13.5 (*Leavers: exercise of Options*) shall be subject to Rule 8.1 (*Regulatory and tax issues*) and Rule 14 (*Takeovers and other corporate events*).

### 13.2 Death

If:

- (a) a Participant dies before the Vesting Date, then unless the Committee determines otherwise, his Award shall Vest as soon as reasonably practicable after the Participant's death to the extent that the Committee determines taking into account:
  - (i) the extent to which the Performance Condition has been satisfied at the date of death; and
  - (ii) where the death occurs in the Initial Leaver Period and if the Committee so determines, the period of time that has elapsed since the start of the Performance Period until the date of death (or such other relevant period);
- (b) subject to (a) above, if a Participant holding an Award in the form of an Option which has Vested dies prior to exercising the Option, his personal representatives shall be entitled to exercise his Option to the extent that it has Vested at any time during the twelve month period following his death. If not so exercised, the Option shall lapse at the end of the twelve month period.

### 13.3 Other leavers during the Initial Leaver Period

If a Participant ceases to be a director or employee of a Group Company in the Initial Leaver Period (save as a result of the death of the Participant):

- (a) in circumstances where the Participant is a Good Leaver and a Holding Period does not apply, the Participant's Award shall not lapse and shall Vest on the Vesting Date, or such other date as the Committee may, at its absolute discretion, specify following the Participant's cessation of office or employment;
- (b) in circumstances where the Participant is a Good Leaver and a Holding Period does apply, the Participant's Award shall not lapse and shall Vest on the later of:
  - (i) the date on which the extent to which the Performance Condition has been satisfied is determined by the Committee under Rule 5.2 (*Testing of Performance Condition*); and
  - (ii) the completion of a period of time following the Participant's cessation of office or employment equivalent to the length of time of the original Holding Period

unless the Committee, in its absolute discretion, determines following the Participant's cessation of office or employment that an Award will Vest as soon as reasonably practicable following such cessation ; and

- (c) in circumstances where the Participant is not a Good Leaver, the Participant's Award shall lapse immediately on such cessation.

The number of Shares in respect of which the Award shall Vest under Rule 13.3(a) shall be determined by the Committee taking account of:

- (i) the extent to which the Performance Condition is satisfied at the end of the Performance Period, or as appropriate, at the date of cessation of office or employment; and
- (ii) unless the Committee determines otherwise, the period of time that has elapsed since the start of the Performance Period until the date of cessation of office or employment (or such other relevant period).

#### **13.4 Other leavers after the Initial Leaver Period**

If a Participant ceases to be a director or employee of a Group Company after the end of the Initial Leaver Period (save as a result of the death of the Participant):

- (a) in circumstances where the Participant is not a Bad Leaver, the Participant's Award shall not lapse but shall Vest on the Vesting Date, or such other date as the Committee may, at its absolute discretion, specify following the Participant's cessation of office or employment;
- (b) in circumstances where the Participant is a Bad Leaver, the Participant's Award shall lapse immediately on such cessation.

The number of Shares in respect of which the Award shall Vest under Rule 13.4(a) shall be determined by the Committee taking account of the extent to which the Performance Condition is satisfied at the end of the Performance Period, or as appropriate, at the date of cessation of office or employment.

#### **13.5 Other leavers: exercise of Options**

If a Participant who has an Award in the form of an Option ceases to be a director or employee of a Group Company, save as a result of the death of the Participant or where the Participant is a Bad Leaver, then that Participant may exercise the Option in respect of the Vested Shares for a period of six months from the Vesting Date, or such other date as the Committee may specify under Rule 13.3(a) or Rule 13.4(a), as applicable.

#### **13.6 Meaning of ceasing employment**

A Participant shall not be treated for the purposes of this Rule 13 as ceasing to be a director or employee of a Group Company until such time as he is no longer a director or employee of any Group Company. 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 while not acting as an employee or director.

The reason for the termination of office or employment of a Participant shall be determined by reference to Rules 13.2 to 13.5 regardless of whether such termination was lawful or unlawful.

## 14 TAKEOVERS AND OTHER CORPORATE EVENTS

### 14.1 Restriction on takeovers

The Vesting of Awards and exercise of Options in Rule 14.2 (*General Offers*), Rule 14.3 (*Schemes of arrangement and winding-up*) and Rule 14.4 (*Demergers and similar events*) shall be subject to Rule 8.1 (*Regulatory and tax issues*), Rule 13 (*Leavers*) and Rule 14.5 (*Compulsory rollover of Awards*).

### 14.2 General offers

If any person (or any group of persons acting in concert, as defined in the City Code on Takeovers and Mergers):

- (a) 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
- (b) 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,

the Committee shall, within seven days of becoming aware of that event, notify every Participant of it and all Awards shall Vest on the date of such notification if they have not then Vested and any Option may be exercised at any time during the period of one month 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 (**Change of Control Date**) (or, if shorter, at any time until the end of the Exercise Period). Any Option not exercised within this period shall lapse immediately upon the expiry of the period.

Unless the number of Shares in respect of which the Award Vests has already been determined at the end of the Performance Period, the number of Shares in respect of which the Award Vests in accordance with this Rule 14.2 shall be determined by the Committee taking into account the extent to which the Performance Condition has been satisfied at the Change of Control Date and, unless the Committee determines otherwise, the period of time that has elapsed since the start of the Performance Period until the Change of Control Date (or such other relevant period).

### 14.3 Schemes of arrangement and winding-up

In the event that:

- (a) a compromise or arrangement is sanctioned by the Court under section 899 of the Companies Act 2006 in connection with or for the purposes of a change in Control of the Company; or
- (b) the Company passes a resolution for a voluntary winding up of the Company; or
- (c) an order is made for the compulsory winding-up of the Company

the Committee shall, within seven days of becoming aware of that event, notify every Participant of it and all Awards shall Vest on the date of such event if they have not then Vested and any Option may be exercised at any time during the period of one month beginning with the date of such notification (or, if shorter, at any time until the end of the Exercise Period). Any Option not exercised within this period shall lapse immediately upon the expiry of the period.

Unless the number of Shares in respect of which the Award Vests has already been determined at the end of the Performance Period, the number of Shares in respect of which the Award Vests in accordance with this Rule 14.3 shall be determined by the Committee taking into account the extent to which the Performance Condition has been satisfied at the date of the relevant event specified in (a) to (c) and, unless the Committee determines otherwise, the period of time that has elapsed since the start of the Performance Period until the date of the relevant event specified in (a) to (c) (or such other relevant period).

#### 14.4 **Demergers and similar events**

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:

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that his Award Vests and, if the Award was in the form of an Option, that the Option may be exercised 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 conditional upon the Relevant Event and such event does not occur then the conditional Vesting and/or exercise shall not be effective and the Award shall continue to subsist; and
- (c) if an Award is an Option that becomes exercisable in accordance with this Rule 14.4 but is not exercised during the relevant period determined by the Committee, the Option shall lapse immediately on the expiry of such period.

Unless the number of Shares in respect of which the Award Vests has already been determined at the end of the Performance Period, the number of Shares in respect of which the Award Vests in accordance with this Rule 14.4 shall be determined by the Committee taking into account the extent to which the Performance Condition has been satisfied at the date of the Relevant Event and, unless the Committee determines otherwise, the period of time that has elapsed since the start of the Performance Period until the date of the Relevant Event (or such other relevant period).

#### 14.5 **Compulsory rollover of Awards**

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 14.2 (*General offers*) or a compromise or arrangement referred to in Rule 14.3(a) (*Schemes of arrangement and winding-up*) 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 14.2 (*General offers*) or Rule 14.3 (*Schemes of arrangement and winding-up*) 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.

The Rules will apply to any new award granted under this Rule 14.5 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.

## 15 ADJUSTMENT OF AWARDS

In the event of a Variation the Committee may make such adjustments as it considers appropriate to the number of Shares (including, in the case of an Option, any nominal exercise price) comprised in an Award.

## 16 AMENDMENTS

### 16.1 General rule on amendments

Except as described in Rule 16.2 (*Shareholder approval*) and 16.3 (*Amendments to the disadvantage of Participants*) the Committee may at any time amend the Plan or the terms of any Award.

### 16.2 Shareholder approval

Without the prior approval of the Company in general meeting, an amendment to the Rules may not be made for the benefit of a Participant relating to:

- (a) eligibility;
- (b) the overall limits on the issue of Shares or transfer of treasury shares under the Plan;
- (c) the basis for determining a Participant's entitlement to, and the terms of, Shares (or cash) provided under the Plan;
- (d) any adjustment of Awards on a Variation; and
- (e) the terms of this Rule 16.2;

except for:

- (i) an amendment which is of a minor nature and benefits the administration of the Plan; or
- (ii) an amendment which is necessary or desirable in order to take account of the provisions of any proposed or existing legislation, including overseas legislation, or to take advantage of any change of legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for the Participant, the Company or some other Group Company.

### 16.3 Amendments to the disadvantage of Participants

No amendment to the material disadvantage of Participants shall be made under Rule 16.1 (*General rule on amendments*) unless:

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

## **17 EMPLOYMENT RIGHTS**

### **17.1 Employment**

The rights and obligations of any Participant under the terms of his 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.

### **17.2 Benefits not pensionable**

The value of any benefit realised under the Plan by Participants shall not be taken into account in determining any pension or similar entitlements.

### **17.3 No consequential losses on termination**

Participants shall have no rights to compensation or damages from the Company, any Group Company or any former Group Company on account of any loss in respect of Awards where such loss arises (or is claimed to arise), in whole or in part, from:

- (a) termination of office or employment with; or
- (b) 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.

### **17.4 No consequential losses on transfer of employer**

Participants shall have no rights to compensation or damages from the Company, any Group Company or any former Group Company on account of any loss in respect of Awards where such loss arises (or is claimed to arise), in whole or in part, from:

- (a) any company ceasing to be a Group Company; or
- (b) 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.

### **17.5 No expectation of grant**

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.

## **18 MISCELLANEOUS**

### **18.1 Disputes**

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.

### **18.2 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 of or omission to exercise any such power or discretion.

### **18.3 Share rights**

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

### **18.4 Notices**

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

- (a) by personal delivery or by 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 Company, 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 their 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 Committee determines.

### **18.5 Third parties**

No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan, save for any company whose shares are subject to any new award under Rule 14.5 (*Compulsory rollover of Awards*).

### **18.6 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.

### **18.7 Governing law**

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