



# Rules of the Dunelm Group 2013 Share Option Plan

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# THE DUNELM GROUP 2013 SHARE OPTION PLAN

## 1. DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

<b>“Board”</b>	the board of the Company or any duly authorised committee of the board;
<b>“Company”</b>	Dunelm Group plc incorporated in England and Wales with registration number 04708277;
<b>“Control”</b>	the meaning given by section 995 of the Income Tax Act 2007;
<b>“Dealing Day”</b>	any day on which the London Stock Exchange is open for business;
<b>“Dealing Restrictions”</b>	restrictions imposed by the Company’s share dealing code, the Listing Rules or any applicable laws or regulations which impose restrictions on share dealing;
<b>“Eligible Employee”</b>	an employee (including an executive director) of the Company or any of its Subsidiaries;
<b>“Exercise Period”</b>	the period during which an Option may be exercised;
<b>“Exercise Price”</b>	the price per Share payable to exercise an Option as determined by the Board in accordance with rule 2.5, as adjusted from time to time in accordance with the rules of the Plan;
<b>“Grant Date”</b>	the date on which an Option is granted;
<b>“Grant Period”</b>	the period of 42 calendar days commencing on: <ul style="list-style-type: none"><li>i) the day on which the Plan is approved by shareholders of the Company in general meeting;</li><li>ii) the Dealing Day after the day on which the Company makes an announcement of its financial results for any period;</li><li>iii) any day on which any change to any relevant legislation affecting employees’ share schemes is proposed or made;</li></ul>

- iv) in respect of an Eligible Employee, the date on which that Eligible Employee first becomes employed by a Group Member; or
- v) any day on which the Board resolves that exceptional circumstances exist which justify the grant of Awards,

unless the Company is restricted from granting Options under the Plan during the periods specified above as a result of any Dealing Restrictions, in which case the relevant Grant Period will be 42 days commencing on the Dealing Day after such Dealing Restrictions are lifted;

**“Group Member”**

the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company or a Subsidiary of the Company's holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and “Group” will be construed accordingly;

**“Internal Reorganisation”**

where immediately after a change of Control of the Company, at least 75% of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;

**“Listing Rules”**

the UKLA's listing rules, as amended from time to time;

**“Market Value”**

in relation to a Share on any day an amount equal to:

- i) if the Shares are quoted in the London Stock Exchange Daily Official List:
  - (a) the middle market quotation (as derived from that List) of a Share on the Dealing Day immediately preceding the relevant date; or
  - (b) if the Board so determines the average of the closing middle market quotations (as so derived) of a Share for a number of Dealing Days within a period not exceeding 5 days immediately preceding the relevant date; and

- ii) subject to (i) above, the market value of a Share as determined in accordance with Part VIII of the Taxation of Chargeable Gains Act 1992 on the relevant date (or such earlier date as determined by the Board);

**“Normal Vesting Date”**

the date on which an Option will normally Vest, which:

- i) in respect of an Option which is subject to the satisfaction of a Performance Condition, will be the later of:
  - a) the date on which the Board determines that the Performance Condition has been satisfied in accordance with rule 8.1; and
  - b) the third anniversary of the Grant Date,  
  
or such later date determined by the Board and notified to the Participant in accordance with rule 2.3; and
- ii) in respect of an Option which is not subject to the satisfaction of a Performance Condition, the third anniversary of the Grant Date (or such other date determined by the Board);

**“Option”**

a right to acquire Shares in accordance with the terms of the Plan during an Exercise Period;

**“Participant”**

any person who holds an Option or following his death, his personal representatives;

**“Performance Period”**

the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;

**“Performance Condition”**

a condition or conditions imposed under rule 3.1 which relates to performance and upon which the Vesting of an Option is dependent;

**“Plan”**

the Dunelm Group 2013 Share Option Plan in its present form or as from time to time amended;

**“Share”**

a fully paid ordinary share in the capital of the Company;

**“Subsidiary”**

the meaning given by section 1159 of the Companies Act 2006;

<b>“Tax Liability”</b>	any tax or social security contributions liability or other levy in connection with an Option for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority (including, without limitation, any secondary Class 1 (employer’s) national insurance contributions covered by any agreement or election entered into pursuant to rule 2.6, but excluding any such secondary Class 1 (employer’s) national insurance contributions which are not covered by such an agreement or election);
<b>“Trustee”</b>	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
<b>“UKLA”</b>	the United Kingdom Listing Authority (or other relevant authority);
<b>“Vest”</b>	the point at which an Option becomes capable of exercise and “Vesting” and “Vested” shall be construed accordingly.

1.2 References in the Plan to:

- 1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;
- 1.2.2 the singular include the plural and vice versa; and
- 1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

**2. GRANT OF OPTIONS**

- 2.1 Subject to rule 2.2, during a Grant Period, the Board may grant an Option to an Eligible Employee in its discretion subject to the rules of the Plan and upon such other additional terms as the Board may determine.
- 2.2 The grant of an Option will be subject to obtaining any approval or consent required by the UKLA (or any other relevant regulatory body), any Dealing Restrictions, and any other applicable laws or regulations (whether in the UK or overseas).
- 2.3 Options must be granted by deed and as soon as practicable after the Grant Date, Participants must be notified of the terms of their Option, including any Performance Condition.
- 2.4 No Option may be granted under the Plan after the tenth anniversary of its approval by shareholders.

2.5 On the grant of an Option, the Board shall determine the Exercise Price which applies to that Option which shall not be less than the greater of:

2.5.1 the Market Value of a Share on the Grant Date; and

2.5.2 if the Shares are to be subscribed, the nominal value of a Share.

The Exercise Price applying to an Option may be adjusted in accordance with rule 13.

2.6 The Board may make the exercise of an Option conditional upon the Participant having entered into an agreement or election pursuant to paragraphs 3A or 3B of Schedule 1 to the Social Security Contributions and Benefits Act 1992 (as the Board determines).

### **3. PERFORMANCE CONDITIONS**

3.1 The Vesting of an Option may be subject to the satisfaction of a Performance Condition, provided that the Vesting of an Option granted to an executive director of the Company must be subject to the satisfaction of a Performance Condition. Subject to rules 11 and 12, the Performance Condition will be measured over the Performance Period.

3.2 The Board may amend or substitute a Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially more or less difficult to satisfy.

### **4. RESTRICTIONS ON TRANSFER AND BANKRUPTCY**

4.1 An Option must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Option will lapse immediately if the Participant is declared bankrupt.

### **5. INDIVIDUAL LIMIT**

5.1 Subject to rule 5.2, no Eligible Employee who is a director of the Company may be granted Options which would, at the time they are granted, cause the market value (as determined by the Board) of all the Shares subject to Options granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 150% of his annual salary and to the extent any Option is purported to be granted in excess of that limit it shall be limited and will take effect from the Grant Date over the maximum number of Shares permitted by this limit.

5.2 In exceptional circumstances (as determined by the Board), an Eligible Employee who is a director of the Company may be granted Options in respect of a particular financial year of the Company over Shares with a market value (as determined by the Board) of up to 200% of his annual salary and to the extent any Option is purported to be granted in excess of that limit it shall be limited and will take effect from the Grant Date over the maximum number of Shares permitted by this limit.

## 6. PLAN LIMITS

- 6.1 The Board must not grant an Option which would, on the day before the Grant Date, cause the number of Shares allocated under the Plan, and under any other employee share plan adopted by the Company to exceed such number as represents ten per cent of the ordinary share capital of the Company in issue at that time.
- 6.2 The Board must not grant an Option which would, on the day before the Grant Date, cause the number of Shares allocated under the Plan and under any other discretionary employee share plan adopted by the Company to exceed such number as represents five per cent of the ordinary share capital of the Company in issue at that time.
- 6.3 Subject to rules 6.4 and 6.5, in determining the limits set out in rules 6.1 and 6.2, Shares are treated as allocated if they have been newly issued by the Company or transferred from treasury to satisfy an option, award or other right granted in the previous ten years (an "award"), or in the case of an award in respect of which Shares are yet to be delivered, if the Board intends that new Shares will be issued or that Shares from treasury will be transferred and for these purposes the number of Shares allocated includes:
- 6.3.1 Shares which have been issued or may be issued to any trustee; and
- 6.3.2 Shares which have been or may be transferred from treasury to any trustee
- in either case for the trustee to then satisfy an award (unless these Shares have already been counted as allocated for the purposes of this rule).
- 6.4 The Board may determine that Shares transferred from treasury will cease to count as allocated for the purposes of rule 6.3 if guidelines published by institutional investor representative bodies no longer require such shares to be counted.
- 6.5 The number of Shares allocated does not include:
- 6.5.1 Shares in respect of which the right to acquire such Shares lapses or is released;
- 6.5.2 existing Shares, other than treasury shares, which are transferred or to which an award relates;
- 6.5.3 Shares subject to awards granted prior to the admission of Shares to the Official List of the London Stock Exchange; and
- 6.5.4 for the purposes of the limit in rule 6.2, Shares subject to an award the vesting of which is, in the opinion of the Board, dependent on the achievement of a particularly stretching performance condition.
- 6.6 If the Board purports to grant one or more Options which is or are inconsistent with the limits in this rule 6:
- 6.6.1 if only one Option is purported to be granted, that Option will be limited and will take effect from the Grant Date over the maximum number of Shares permitted by those limits; and



6.6.2 if more than one Option is purported to be granted, each such Option shall be reduced pro-rata and will take effect from the Grant Date over the maximum number of Shares permitted by those limits.

## **7. REDUCTION FOR MALUS**

7.1 Notwithstanding any other rule of the Plan, the Board may, in its discretion, determine at any time prior to the Vesting of an Option to:

7.1.1 reduce the number of Shares to which the Option relates;

7.1.2 cancel the Option; or

7.1.3 impose further conditions on the Option;

in the circumstances referred to in rule 7.2.

7.2 The relevant circumstances for the purposes of rule 7.1 are:

7.2.1 a misstatement of the performance to which the Option relates;

7.2.2 a miscalculation of the extent to which a Performance Condition has been met in respect of any other Option granted to the Participant that has already Vested;

7.2.3 the Participant being guilty of gross misconduct.

7.3 If the Board exercises its discretion in accordance with this rule 7, it shall confirm this in writing to each affected Participant and, if necessary, the Trustee.

## **8. VESTING AND EXERCISE**

8.1 As soon as reasonably practicable after the end of any Performance Period relating to an Option which is subject to the satisfaction of a Performance Condition, the Board will determine if and to what extent the Performance Condition has been met. To the extent that it has not been met in full, the remainder of the Option will lapse immediately.

8.2 Subject to rules 11 and 12, an Option will Vest on the Normal Vesting Date and will normally be exercisable until the tenth anniversary of the Grant Date, after which time it will lapse.

8.3 Subject to rule 9, an Option may be exercised pursuant to this rule 8 or rules 11 and 12 in such form and manner as the Board may determine, provided that exercise of an Option shall not take effect until the Company receives:

8.3.1 notice of exercise of the Option; and

8.3.2 payment of the aggregate Exercise Price (or an undertaking to pay that amount).

8.4 Subject to rules 9 and 10, where an Option has been exercised, the number of Shares in respect of which it has been exercised will be issued or transferred (as applicable) to the Participant within 30 days.

## **9. TAXATION AND REGULATORY ISSUES**

- 9.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Option. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired pursuant to the exercise of the Option to realise an amount equal to the Tax Liability.
- 9.2 The exercise of an Option and the issue or transfer of Shares under this Plan will be subject to obtaining any approval or consent required by the UKLA (or other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

## **10. CASH EQUIVALENT/NET SETTLEMENT**

- 10.1 Subject to rule 10.5, at any time prior to the date on which Shares subject to an Option have been issued or transferred to the Participant, the Board may determine that in substitution for his right to acquire some or all of the Shares to which his Option relates, the Participant will instead receive a cash sum in accordance with rule 10.2 or a reduced number of Shares in accordance with rule 10.3.
- 10.2 A cash sum to which a Participant becomes entitled under this rule 10.2 will be equal to the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred, less the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares and for these purposes:
- 10.2.1 market value will be determined on the date of exercise; and
- 10.2.2 the cash sum will be paid to the Participant as soon as practicable after exercise of the Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.
- 10.3 The number of Shares to which a Participant becomes entitled under this rule 10.3 shall be such number of Shares as have a market value (as determined by the Board) equal to the amount by which the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred, exceeds the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares. For these purposes market value will be determined on the date of exercise.
- 10.4 The Exercise Price paid by a Participant shall be refunded to him to the extent an Option he has exercised is settled by a payment of cash in accordance with rule 10.2 or delivery of Shares in accordance with rule 10.3.
- 10.5 The Board may determine that this rule 10 will not apply to an Option, or any part of it.

## 11. CESSATION OF EMPLOYMENT

11.1 If a Participant ceases to hold office or employment with a Group Member other than in accordance with rules 11.2 or 11.3 his Option (whether or not Vested) will lapse at that time.

11.2 If a Participant dies:

11.2.1 unless the Board determines otherwise, an Option which has not Vested at the date of his death will Vest as soon as practicable thereafter in accordance with rule 11.2.2;

11.2.2 the number of Shares in respect of which an Option Vests pursuant to rule 11.2.1 will be determined by the Board in its absolute discretion, taking into account the extent to which any Performance Condition imposed under rule 3 has been satisfied at the date of death and, if the Board so determines, the period of time that has elapsed from the Grant Date to the date of death. To the extent that an Option does not Vest in full, the remainder will lapse immediately; and

11.2.3 an Option may then be exercised during the period of 12 months from the date of death (or such other period as the Board may determine), after which time it will lapse.

11.3 If a Participant ceases to hold office or employment with a Group Member as a result of:

11.3.1 redundancy (within the meaning of the Employment Rights Act 1996);

11.3.2 retirement with the agreement of the Participant's employing company;

11.3.3 ill-health, injury or disability evidenced to the satisfaction of the Board;

11.3.4 the Participant's employing company ceasing to be a Group Member or the transfer of an undertaking or part of an undertaking (in which the Participant is employed) to a person who is not a Group Member; or

11.3.5 any other reason at the Board's discretion, except where a Participant is dismissed lawfully without notice,

unless the Board determines that an Option will Vest in accordance with rule 11.4 an Option which has not yet Vested as at the date of cessation will, subject to rule 12, continue and Vest in accordance with rule 11.5 on the Normal Vesting Date.

11.4 If the Board determines that an Option which has not yet Vested at the date of cessation will Vest in accordance with this rule 11.4, it will Vest as soon as practicable following the date of cessation in accordance with rule 11.5.

11.5 The number of Shares in respect of which an Option Vests pursuant to rule 11.3 or 11.4 will be determined by the Board in its absolute discretion, taking into account:

11.5.1 the extent to which any Performance Condition has been satisfied at the date of cessation (if rule 11.4 applies) or at the Normal Vesting Date (if rule 11.3 applies); and

11.5.2 unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation of office or employment,

and the Option may, subject to rule 12, then be exercised in respect of the Shares in relation to which it Vests for a period of six months (or such other period as the Board may determine) from the date of Vesting and then shall lapse immediately. To the extent that an Option does not Vest in full, the remainder will lapse immediately.

11.6 If a Participant ceases to hold office or employment with a Group Member as a result of a reason referred to in rules 11.2 or 11.3 an Option which has Vested prior to the date of cessation may, subject to rule 12, be exercised during the period of twelve months from the date of cessation (in the event of death) or six months from the date of cessation (in the event of cessation for a reason referred to in rule 11.3) (or such other period as the Board may determine), after which time it will lapse.

11.7 For the purposes of the Plan, no person will be treated as ceasing to be in office or employment with a Group Member until that person no longer holds:

11.7.1 an office or employment with any Group Member; or

11.7.2 a right to return to work.

## **12. CORPORATE EVENTS**

12.1 Where any of the events described in rule 12.3 occur, then subject to rules 12.7 and 12.8, all Options which have not yet Vested will Vest in accordance with rule 12.2 at the time of such event unless they Vest earlier in accordance with rule 12.4. Vested Options will be exercisable for one month from the date of the relevant event, after which all Options will lapse.

12.2 An Option will Vest pursuant to rule 12.1 taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 12.7 and 12.8, it will lapse immediately.

12.3 The events referred to in rule 12.1 are:

12.3.1 General offer

If any person (either alone or together with any person acting in concert with him):

- i) obtains Control of the Company as a result of making a general offer to acquire Shares; or
- ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him,

and such offer becomes wholly unconditional.

12.3.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 for the purposes of a change of Control of the Company which is sanctioned by the Court.

12.4 Loss of corporation tax deduction

If the Board determines that there would be a loss of corporation tax deduction under Part 12 of the Corporation Tax Act 2009 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) if Options were to be exercised on or after an event described in rule 12.3, then the Board may resolve that Options will Vest immediately prior to that event.

12.5 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding up of the Company, the Board will determine:

12.5.1 whether and to what extent Options which have not yet Vested shall Vest, taking into account the extent to which any Performance Condition has been satisfied at the date of the relevant event and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

12.5.2 the period during which a Vested Option may be exercised, after such time it will lapse.

To the extent that an Option does not Vest it will lapse immediately.

12.6 Other events

If the Company is or may be affected by a demerger, delisting or other event which, in the opinion of the Board, may affect the current or future value of Shares the Board may determine that the following provisions will apply:

12.6.1 an Option will Vest on such terms as the Board may determine;

12.6.2 if an Option Vests under this rule 12.6, it will Vest taking into account the extent to which any Performance Condition has been satisfied at the date of the relevant event and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event and lapse as to the remainder; and

12.6.3 if an Option Vests in part under this rule 12.6 it will lapse as to the remainder unless the Board determines otherwise.

In the circumstances referred to in this rule 12.6, the Board will also determine the period during which any Vested Option may then be exercised, after which time it will lapse (unless and to the extent that the Board determines otherwise).

## 12.7 Exchange

An Option will not Vest under rule 12.1 but will be exchanged on the terms set out in rule 12.8 to the extent that:

12.7.1 an offer to exchange the Option (the “**Existing Option**”) is made and accepted by a Participant;

12.7.2 there is an Internal Reorganisation; or

12.7.3 the Board decides (before the event) that the Existing Option will be automatically exchanged.

## 12.8 Exchange terms

If this rule 12.8 applies, the Existing Option will not Vest but will be released in consideration of the grant of a new option which, in the opinion of the Board, is equivalent to the Existing Option, but relates to shares in a different company (whether the acquiring company or a different company).

## 12.9 Meaning of Board

Any reference to the Board in this rule 12 means the members of the Board immediately before the relevant event.

## 13. ADJUSTMENTS

13.1 The number of Shares subject to an Option and/or the Exercise Price may be adjusted in such manner as the Board determines, in the event of:

13.1.1 any variation of the share capital of the Company; or

13.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the Board’s opinion, affect the current or future value of Shares.

13.2 The Board may also adjust any Performance Condition in accordance with rule 3.2.

## **14. AMENDMENTS**

- 14.1 Except as described in this rule 14 the Board may at any time amend the rules of the Plan.
- 14.2 Subject to rule 14.3, no amendments to the advantage of the Participant will be made under this rule 14 to the provisions relating to:
- 14.2.1 the persons to whom, or for whom, Shares or cash are provided under the Plan;
  - 14.2.2 limitations on the number or amount of Shares or cash subject to the Plan;
  - 14.2.3 the maximum entitlement for any one Participant;
  - 14.2.4 the basis for determining a Participant's entitlement to, and the terms of, Shares or, cash to be provided under the Plan;
  - 14.2.5 the adjustments that may be made in the event of a variation of capital; and
  - 14.2.6 the terms of this rule 14.2;
- 14.3 Rule 14.2 will not apply to any minor amendment which is to benefit the administration of the Plan or is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for any Group Member or Participant.
- 14.4 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 14.1 unless:
- 14.4.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and
  - 14.4.2 the amendment is approved by a majority of those Participants who have so indicated.
- 14.5 No amendment will be made under this rule 14 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

## **15. LEGAL ENTITLEMENT**

- 15.1 This rule 15 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.
- 15.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment for any Participant.

- 15.3 The grant of any Option to a Participant does not create any right for that Participant to be granted any further Options or to be granted Options on any particular terms, including the number of Shares to which Options relate.
- 15.4 By Participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:
- 15.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);
  - 15.4.2 any exercise of a discretion or a decision taken in relation to an Option or to the Plan, or any failure to exercise a discretion or take a decision;
  - 15.4.3 the operation, suspension, termination or amendment of the Plan.

## **16. GENERAL**

- 16.1 The Plan will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.
- 16.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.
- 16.3 By participating in the Plan, a Participant consents to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.
- 16.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.
- 16.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when



the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.

16.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Plan (without prejudice to any right of a third party which exists other than under that Act).

16.7 Benefits under the Plan shall not pensionable.

16.8 These rules will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in this Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

## **APPENDIX APPROVED OPTIONS**

This Appendix sets out the terms on which the Board may grant Approved Options.

### **1. INTERPRETATION**

- 1.1 The rules of the Plan apply to Approved Options except as modified below and references in the rules of the Plan to an Option will be interpreted as references to an Approved Option for the purposes of this Appendix.
- 1.2 References in this Appendix to 'rules' are to rules of the Plan and references to 'sections' are to the sections of this Appendix.
- 1.3 In the event of any conflict between the rules of the Plan and the sections of this Appendix, this Appendix shall take precedence.

### **2. DEFINITIONS**

- 2.1 For the purposes of this Appendix, the following definitions shall apply:

<b>“Approved Option”</b>	an Option granted under this Appendix
<b>“Associated Company”</b>	has the meaning given to it in paragraph 35(1) of Schedule 4;
<b>“Key Feature”</b>	has the meaning given in paragraph 30(4) of Schedule 4;
<b>“HMRC”</b>	HM Revenue & Customs;
<b>“Restriction”</b>	has the meaning given by paragraph 36(3) of Schedule 4;
<b>“Schedule 4”</b>	Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003; and
<b>“Variation of Capital”</b>	in relation to the equity share capital of the Company, a capitalisation issue, an offer or invitation made by way of rights, a subdivision, consolidation, reduction or any other variation in respect of which HMRC will allow an adjustment of Options in accordance with rule 13.

### **3. ELIGIBILITY TO BE GRANTED AN APPROVED OPTION**

- 3.1 An Approved Option may only be granted to an Eligible Employee who is a director of the Company or any of its Subsidiaries if he is obliged to devote not less than 25 hours a week to the performance of the duties of his office or employment with the Company or any Subsidiary.
- 3.2 An Approved Option may not be granted to an Eligible Employee who is excluded from participation by virtue of paragraph 9 of Schedule 4 (material interest in a close company).

#### **4. GRANT OF AN APPROVED OPTION**

- 4.1 No Approved Option may be granted prior to the date on which this Appendix is approved by HMRC under Schedule 4.
- 4.2 The Board must not grant an Approved Option to an Eligible Employee which would on the Grant Date cause the aggregate Market Value of the shares which he may acquire by exercising that Approved Option, any other Approved Option or any other option granted under a scheme established by the Company or an Associated Company of the Company and approved by HMRC under Schedule 4 to exceed the amount permitted from time to time under paragraph 6(1) of Schedule 4.
- 4.3 For the purposes of this section 4, the Market Value of a share:
- 4.3.1 will be determined at the time the relevant option is granted; and
- 4.3.2 in the case of a share subject to a Restriction, will be determined as if the Restriction did not apply.
- 4.4 If the Company purports to grant an Approved Option in breach of the limit in section 4.2, that Approved Option shall take effect from the Grant Date over the maximum number of Shares over which it may be granted within that limit.
- 4.5 Any Performance Condition applied to an Approved Option shall be objective.
- 4.6 Rule 7.1.3 of the Plan shall not apply to Approved Options.

#### **5. SHARES SUBJECT TO AN APPROVED OPTION**

- 5.1 The Shares subject to an Approved Option must satisfy Part 4 of Schedule 4.
- 5.2 If the Shares subject to an Approved Option are subject to a Restriction, the details of the Restriction will be included in the notification given under rule 2.3.

#### **6. EXERCISE OF APPROVED OPTIONS**

- 6.1 A Participant may not exercise an Approved Option while he is excluded from being granted an Approved Option under paragraph 9 of Schedule 4 (material interest in a close company).
- 6.2 The following rule 9.1 shall apply to Approved Options in substitution for rule 9.1:
- “9.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability arising as a result of the exercise of an Option and will reimburse the Group Member and/or the Trustee (as relevant) for the Tax Liability within thirty days of it arising. An Option may only be exercised if there are arrangements in place acceptable to the Board to provide for the reimbursement of any Tax Liability arising as a result of the exercise of the Option, which may include:
- 9.1.1 the Participant making a payment to the Group Member and/or the Trustee;

9.1.2 the Group Member withholding the Tax Liability from the Participant's remuneration (to the extent permitted by law); or

9.1.3 with the Participant's agreement, any other arrangement acceptable to the Group Member and/or the Trustee to reimburse the Tax Liability, including authorising the sale of sufficient of the Shares on the Participant's behalf."

6.3 Rule 10 of the Plan shall not apply to Approved Options.

## **7. CESSATION OF EMPLOYMENT**

7.1 In its application to any Approved Option, there shall be deleted from rule 11.2.1 the words:

"unless the Board determines otherwise,"

7.2 The following rule 11.2.2 shall apply to Approved Options in substitution for rule 11.2.2:

"11.2.2 the number of Shares in respect of which an Option Vests pursuant to rule 11.2.1 will be determined by the Board in its absolute discretion, taking into account the extent to which any Performance Condition imposed under rule 3 has been satisfied at the date of death and, unless the Board so determines, the period of time that has elapsed from the Grant Date to the date of death. To the extent that an Option does not Vest in full, the remainder will lapse immediately; and"

7.3 The following rule 11.3.2 shall apply to Approved Options in substitution for rule 11.3.2:

"11.3.2 retirement"

7.4 The following rule 11.5 shall apply to Approved Options in substitution for rule 11.5:

"11.5 The number of Shares in respect of which an Option Vests pursuant to rule 11.3 or 11.4 will be determined by the Board in its absolute discretion, taking into account:

11.5.1 the extent to which any Performance Condition has been satisfied at the date of cessation (if rule 11.4 applies) or at the Normal Vesting Date (if rule 11.3 applies); and

11.5.2 unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation of office or employment,

and the Option may, subject to rule 12, then be exercised in respect of the Shares in relation to which it Vests for a period of six months (or such longer as the Board may determine) from the date of Vesting and then shall lapse immediately. To the extent that an Option does not Vest in full, the remainder will lapse immediately.

7.5 The following rule 11.6 shall apply to Approved Options in substitution for rule 11.6:

“11.6 If a Participant ceases to hold office or employment with a Group Member as a result of a reason referred to in rules 11.2 or 11.3 an Option which has Vested prior to the date of cessation may, subject to rule 12, be exercised during the period of:

11.6.1 twelve months from the date of cessation (in the event of death); or

11.6.2 six months from the date of cessation (in the event of cessation for a reason referred to in rule 11.3) (or such longer period as the Board may determine),

after which time it will lapse.”

## 8. CORPORATE EVENTS

8.1 The following rules 12.1 – 12.3A shall apply to Approved Options in substitution for rules 12.1 – 12.3:

“12.1 Where any of the events described in rule 12.3 occur, then subject to rules 12.7 – 12.8A, all Options which have not yet Vested will Vest in accordance with rule 12.2 at the time of such event unless they Vest earlier in accordance with rule 12.4. Vested Options will be exercisable for one month (or such longer period not exceeding six months as the Board may permit) from the date of the relevant event, after which all Options will lapse.

12.2 An Option will Vest pursuant to rule 12.1 taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 12.7 – 12.8A, it will lapse immediately.

12.3 The events referred to in rule 12.1 are:

12.3.1 General offer

(a) If a person (including any person acting in concert with him as referred to in paragraph 25A(8) of Schedule 4) has obtained Control of the Company as a result of an offer falling within paragraph 25A(3) of Schedule 4 and any condition subject to which the offer is made has been satisfied.

(b) If any person (either alone or together with any person acting in concert with him) other than in a case falling within rule 12.3.1(a):

i) obtains Control of the Company as a result of making a general offer to acquire Shares; or

ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him,

and such offer becomes wholly unconditional.

### 12.3.2 Compromise or arrangement

- (a) The sanction by the Court under section 899 of the Companies Act 2006 of a compromise or arrangement of a sort referred to in paragraph 25A(6) of Schedule 4 which is proposed for the purposes of a change of Control of the Company.
- (b) A compromise or arrangement in accordance with section 899 of the Companies Act 2006 for the purposes of a change of Control of the Company not falling within rule 12.3.2(a) is sanctioned by the Court. “

12.3A If a person becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder etc), any Option which has not already been exercised or lapsed may be exercised while that person remains so bound or entitled. All unexercised Options shall lapse when that person ceases to be so bound or entitled.”

## 9. CORPORATE EVENTS – EXCHANGE OF OPTIONS

9.1 The following rules 12.7 – 12.8A shall apply to Approved Options in substitution for rules 12.7 – 12.8:

“12.7 If another company (the “**acquiring company**”):

12.7.1 obtains Control of the Company as a result of making:

- (i) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire the whole of the issued ordinary share capital of the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which is made on a condition such that, if it is met, the person making the offer will have Control of the Company; or
- (ii) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire all the shares in the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which are of the same class as the shares which may be acquired by the exercise of Approved Options;

12.7.2 obtains Control of the Company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006; or

12.7.3 becomes bound or entitled to acquire shares in the Company under sections 979 to 982 or 983 to 985 of the Companies Act 2006,

an Option may be released in consideration of the grant to the holder of that Option of a new share option in accordance with rule 12.8.

12.8 If an Option is to be released in consideration of the grant of a new share option in accordance with this rule 12.8:

12.8.1 that must be done with the agreement of the acquiring company;

12.8.2 the agreement must be made in the relevant period determined in accordance with paragraph 26 of Schedule 4 and before the Option lapses in accordance with rule 12.1;

12.8.3 any new share option granted in consideration of the release of an Option in accordance with this rule 12.8 must satisfy the requirements of paragraphs 27(2) – 27(4) (inclusive) of Schedule 4.

12.8A If there is an Internal Reorganisation, an Approved Option will not Vest under rule 12.1 if the acquiring company offers to grant a new share option in consideration for the release of the Option (whether in accordance with rules 12.7 – 12.8 or otherwise). To the extent the Participant does not agree to the release of the Option in accordance with rules 12.7 – 12.8 or otherwise, the Option will lapse one month after the date of the Internal Reorganisation.”

## **10. ADJUSTMENTS**

10.1 The following rule 13 shall apply to Approved Options in substitution for rule 13:

“13.1 The number of Shares subject to an Option and/or the Exercise Price may be adjusted in such manner as the Board determines in the event of a Variation of Capital.

13.2 At a time when this Appendix is approved by HMRC under Schedule 4, no adjustment may be made to an Approved Option under this rule 13 without the prior approval of HMRC.

13.3 The Board may also adjust any Performance Condition in accordance with rule 3.2.”

## **11. AMENDMENTS**

11.1 If an amendment is made to a Key Feature of this Appendix at a time when this Appendix is approved by HMRC under Schedule 4, the amendment will not have effect unless and until either HMRC has approved the amendment or the Board resolves that the amendment shall take effect even if this causes this Appendix to cease to be approved under Schedule 4.

## **12. BOARD DISCRETION**

12.1 Any discretion exercisable or action or determination to be undertaken by the Board under this Appendix shall be exercised or undertaken fairly and reasonably.