



COATS GROUP PLC DEFERRED ANNUAL BONUS PLAN

ADOPTED BY THE BOARD ON [INSERT DATE]

APPROVED BY SHAREHOLDERS ON [INSERT DATE]

EXPIRY DATE: [INSERT DATE]



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1. Interpretation

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

Acceptance Notice: a document, in the form prescribed by the Remuneration Committee from time to time, in which the Award Holder accepts these Rules and the terms of their Award.

Acquiror: a person who obtains Control of the Company either alone or together with persons Acting in Concert (as defined in the City Code on Takeovers and Mergers published by the Panel on Takeovers and Mergers) with them or it.

Adoption Date: the date of the approval of the Plan by the Company's shareholders (or, where shareholder approval is not sought, the date of the adoption of the Plan by the Board).

Award Certificate: a certificate setting out the terms of a Deferred Annual Bonus Award, in accordance with rule 2.4, in the form prescribed by the Remuneration Committee from time to time.

Award Holder: an individual who holds a Deferred Annual Bonus Award or, where applicable, that individual's personal representatives, and for the purposes of rules 11, 12, 24, 25, 29 and 30 shall include a former Award Holder.

Bad Leaver: an Award Holder who ceases to be an Employee due to personal misconduct or any other reason at the discretion of the Remuneration Committee (acting fairly and reasonably).

Board: the board of directors of the Company.

Bonus: means a bonus determined under any bonus arrangement operated by a Group Company.

Business Day: a day other than a Saturday, Sunday or public holiday in England when banks in London are open for business.

Cash-only Award: a Phantom Option or a Phantom Share Award (which confer no right on the Award Holder to receive Shares or any interest in Shares).

Clawback Amount: an amount of value determined in accordance with rule 12.

Closed Period: has the same meaning as in UK MAR.

Company: Coats Group Plc, incorporated and registered in England with number 00103548.

Conditional Share Award: a right to acquire for no cost a specified number of Shares on the Vesting Date.

Control: has the meaning given to it in section 995 of the Income Tax Act 2007.

Change of Control: an Acquiror acquires Control of the Company.

Daily Official List: the daily record setting out the prices of all trades in securities conducted on the London Stock Exchange.

Dealing Day: a day on which the London Stock Exchange is open for business.

Dealing Restrictions: restrictions imposed by the Company's share dealing code, UK MAR, the Listing Rules, or any applicable laws, codes or regulations which impose restrictions on dealing in shares and other securities, or otherwise.

Deferred Annual Bonus Award: any of the following:

- a) a Conditional Share Award;
- b) a Nil or Nominal Cost Option;
- c) a Phantom Share Award
- d) a Phantom Option, or
- e) a Forfeitable Share Award.

Deferred Bonus: the part of an Award Holder's Bonus which is required to, or the Remuneration Committee has decided shall, be delivered by way of a Deferred Annual Bonus Award.

Dilutive Shares: on any date, all shares of the Company which:

- a) have been issued, or transferred out of treasury, on the exercise of options granted, or in satisfaction of any other awards made, under any Employees' Share Scheme (including the Plan) during the shorter of:
 - (i) the period of ten years ending on (and including) that date; and
 - (ii) the period since the Company's shares were first admitted to the Official List; and
- b) remain capable of issue, or transfer out of treasury, under any Existing Award.

For the purposes of the above:

- a) shares by reference to which a cash payment under a Cash-only Award (or any cash-based award under any other plan operated by a Group Company) is calculated, and Shares subject to Transfer Only Awards (or similar under any other Employee Share Scheme operated by a Group Company), are not Dilutive Shares;
- b) shares which were subject to rights which (i) lapsed or (ii) were surrendered or cancelled, will be ignored;
- c) if, in the opinion of the Remuneration Committee, institutional investor guidelines cease to require treasury shares to be counted toward the above limit,

paragraphs a and b in the definition of Dilutive Shares above shall be read without the words “or transferred out of treasury” and “or transfer out of treasury” respectively, and

d) where an event under rule 23 has taken place between the date of issue of the shares and the date on which the limit is to be calculated, the number of shares to be taken into account for the purposes of the above limit will be adjusted in the manner the Remuneration Committee considers appropriate to take account of such event.

Discretionary Dilutive Shares: Dilutive Shares which were acquired pursuant to, or remain subject to awards granted under, the Plan or any other discretionary Employees’ Share Scheme.

Dividend Equivalent: has the meaning set out in rule 3.

Employee: any individual who is an employee (including an Executive Director) of a Group Company.

Employer Company: the Award Holder’s employer or former employer.

Employees’ Share Scheme: has the meaning given to it by section 1166 of the Companies Act 2006.

Executive Director: (a) a director of the Company who is a member of the Board but is not a non-executive director, and (b) where applicable, a person who is not a director of the Company but who is (i) its chief executive officer (however described), or (ii) where such a function exists in the Company, its deputy chief executive officer (however described).

Exercise Date: in relation to an Option, the date on which it is validly exercised.

Exercise Notice: a document in the form prescribed by the Remuneration Committee from time to time that the Award Holder must complete and return (together with any other documents or payments required under the Plan) to the Company in order to exercise an Option.

Existing Award: an option or any other right or award under which shares in the Company may be acquired or received, granted under any Employees’ Share Scheme (including the Plan) after the Shares were first admitted to the Official List.

Forfeitable Shares: Shares which are the subject of a Forfeitable Share Award.

Forfeitable Share Award: an award of Shares which are subject to forfeiture for a period, as set out in rule 8.

Good Leaver: an Award Holder who ceases to be an Employee and is not a Bad Leaver.

Grant Date: the date on which a Deferred Annual Bonus Award is, was, or is to be granted.

Grant Period: the period of 42 days commencing on the Adoption Date and, thereafter, the period of 42 days commencing on the Dealing Day immediately after the Company’s

announcement of its results for any period (unless, in each case, the Company is restricted from granting Deferred Annual Bonus Awards during such periods 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: the Company, any Subsidiary of the Company, any holding company of the Company (within the meaning of section 1159 of the Companies Act 2006) or any Subsidiary of the Company's holding company, each from time to time.

Group Company: any member of the Group from time to time.

ITEPA 2003: the Income Tax (Earnings and Pensions) Act 2003.

Listed: means that any part of the Company's ordinary share capital is admitted to the Official List (with consequent admission to trading on the Main Market of the London Stock Exchange) or any other internationally recognised investment exchange (which shall for these purposes be construed as the stock exchanges that are determined "recognised stock exchanges" in accordance with section 1005 of the Income Tax Act 2007 plus the Alternative Investment Market of the London Stock Exchange).

Listing Rules: the Listing Rules issued by the Financial Conduct Authority, as amended from time to time.

London Stock Exchange: London Stock Exchange plc or any successor body carrying on the business of the London Stock Exchange.

Market Value: whichever of the following applies:

- a) For the purposes of determining on any Grant Date on which Shares are Listed the Market Value of a Deferred Annual Bonus Award for the purposes of rule 4, Market Value means an amount equal to the Middle Market Quotation for a Share on the Dealing Day immediately preceding the Grant Date or, where the Remuneration Committee decides in respect of any Deferred Annual Bonus Award, the average of the Middle Market Quotations for a period not exceeding the five consecutive Dealing Days immediately preceding the Grant Date (but excluding any Dealing Days that fall in a Closed Period).
- b) For the purposes of calculating on any Exercise Date or Vesting Date on which Shares are Listed (i) the payment due from a Phantom Option or Phantom Share Award or (ii) the Market Value of a Share for the purposes of rules 12 and 16, Market Value means the Middle Market Quotation of a Share on the day on which the Market Value is measured or if that day is not a Dealing Day, on the immediately preceding Dealing Day (or, if the Remuneration Committee so decides in respect of any Phantom Option or Phantom Share Award, the average of the Middle Market Quotations for the day on which the Market Value is measured and a period not exceeding the four consecutive Dealing Days immediately preceding the day on which

the Market Value is measured (but excluding any Dealing Days that fall in a Closed Period)).

- c) If Market Value has to be determined in relation to any day on which Shares are not Listed, the Remuneration Committee shall determine it to its satisfaction having regard to Part VIII of the Taxation of Chargeable Gains Act 1992.

Middle Market Quotation: the mid-point between the closing 'buy' and 'sell' prices quoted on the relevant date (where the Shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities, as derived from the Daily Official List).

NICs: National Insurance contributions or equivalent social security contributions in any other relevant jurisdiction.

Nil Cost Option: an option to acquire Shares for no payment.

Nominal Cost Option: an option to acquire Shares for payment of an exercise price equal to their nominal value (or such other exercise price as the Remuneration Committee may determine and specify in the Award Certificate).

Nominee: the person (including a trustee of an employee benefit trust) nominated by the Remuneration Committee to hold Shares on bare trust for the Award Holder subject to the rules and the terms of the Nominee Agreement.

Nominee Agreement: a document in the form prescribed by the Remuneration Committee from time to time, executed by the Nominee and the Award Holder that sets out the terms on which the Nominee holds Shares for the Award Holder (or former Award Holder).

Non-Option Award: any of the following:

- a) a Conditional Share Award;
- b) a Forfeitable Share Award, or
- c) a Phantom Share Award;

Official List: means the Official List maintained by the Financial Conduct Authority.

Option: a Nil Cost Option, a Nominal Cost Option or a Phantom Option.

Ordinary Vesting Date: in respect of a Deferred Annual Bonus Award, the first Dealing Day following the end of the Vesting Period (provided that if that date falls in a Closed Period, the Ordinary Vesting Date will be the first Dealing Day following the end of that Closed Period).

Phantom Option: an option to receive (for no payment) a cash payment on exercise equal to the Market Value of a specified number of Shares.

Phantom Share Award: a right to receive (for no payment) a cash payment on the Vesting Date equal to the Market Value of a specified number of Shares.

Plan: the Employees' Share Scheme constituted and governed by these rules, as amended from time to time.

Remuneration Committee: the remuneration committee of the Board as designated by the Board from time to time.

Relevant Company: the Award Holder's Employer Company or any other person who is or could be required to account to any Tax Authority for a Tax Liability in respect of an Award Holder.

Relevant Restriction: a restriction stated in an Award Certificate that applies to Shares issued or transferred pursuant to the Deferred Annual Bonus Award.

Scheme of Arrangement: a compromise or arrangement under either section 899 or section 901F of the Companies Act 2006.

Share: a fully paid ordinary share of £0.05 nominal value (subject to rule 23) in the capital of the Company.

Share-settled Award: a Conditional Share Award, Forfeitable Share Award, Nominal Cost Option or Nil Cost Option.

Subsidiary: a subsidiary as defined in section 1159 of the Companies Act 2006.

Tax Authority: His Majesty's Revenue & Customs (or any successor authority from time to time) or, where relevant, its equivalent in another jurisdiction.

Taxable Event: any event or circumstance that gives or may give rise to a liability for the Award Holder to pay (or for any Relevant Company to account to any Tax Authority for or in respect of the Award Holder or former Award Holder) a Tax Liability, in respect of:

- a) the Deferred Annual Bonus Award, including its Vesting, exercise, assignment or surrender for consideration, or the receipt of any benefit in connection with it;
- b) any Shares (or other securities or assets):
 - (i) 'earmarked' or held to satisfy (or in respect of which another 'relevant step' is taken in connection with) the Deferred Annual Bonus Award (with the terms in inverted commas having the meaning given to them in Part 7A of ITEPA 2003);
 - (ii) acquired as a result of holding the Deferred Annual Bonus Award (including on its Vesting or exercise), or
 - (iii) acquired in consideration of the assignment or surrender of the Deferred Annual Bonus Award;

- c) any securities (or other assets) acquired or earmarked as a result of holding Shares (or other securities or assets) mentioned in paragraph (b);
- d) entering into an election under section 430 or 431 of ITEPA 2003; or
- e) any amount due under PAYE in respect of securities or assets within paragraph (a) to paragraph (d), including any failure by the Award Holder to make good such an amount within the time limit specified in section 222 of ITEPA 2003.

Tax Liability: the total of any income tax and primary class 1 (employee) NICs (but not secondary class 1 (employer) NICs), or the equivalent in any jurisdiction, for which any Relevant Company is or may be liable to account (or reasonably believes it is or may be liable to account) as a result of any Taxable Event and any related fines, penalties and interest.

Transfer Only Award: a Deferred Annual Bonus Award which the Remuneration Committee has designated can be satisfied only by the transfer of Shares, other than treasury shares. A Deferred Annual Bonus Award is not a Transfer Only Award if it can be satisfied using Shares which have been issued to a person who holds those Shares in a fiduciary capacity for the purposes of an Employees' Share Scheme.

UK MAR: the retained EU law version of the Market Abuse Regulation (Regulation (EU) 596/2014) which applies in the UK.

US Award Holder: means an Award Holder (or proposed Award Holder, where the context so permits or requires) who is, becomes, or is expected to become, subject to US income tax.

Vest: means

- a) in relation to an Option, that it becomes exercisable;
- b) in relation to a Conditional Share Award, that the Award Holder becomes entitled to beneficial ownership of the relevant Shares;
- c) in relation to a Forfeitable Share Award, that the Shares subject to the Award cease to be subject to forfeiture, and
- d) in relation to a Phantom Share Award, that the Award Holder becomes entitled to payment of the amount due under the Phantom Share Award

in each case, in accordance with these rules, and “**Vesting**” and “**Vested**” shall have a corresponding meaning.

Vesting Date: is the date on which the Award Vests, which shall (save where the Deferred Annual Bonus Award has lapsed or been surrendered before such date) be the Ordinary Vesting Date or such other date as the Deferred Annual Bonus Award Vests in accordance with these rules.

Vesting Period: the period that starts on the Grant Date and ends on such date as the Remuneration Committee may specify (provided that, in respect of Deferred Annual Bonus Awards granted to Executive Directors, the end date will not normally be earlier than the third anniversary of the Grant Date unless the Remuneration Committee determines otherwise).

Year: a financial year of the Company as defined in section 390 of the Companies Act 2006.

- 1.2 Rule headings shall not affect the interpretation of the rules.
- 1.3 A **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality).
- 1.4 Any Schedules to this Plan form part of the rules and shall have effect as if set out in full in the body of the rules. Any reference to the rules includes the Schedules.
- 1.5 A reference to a **company** shall include any company, corporation or other body corporate, wherever and however incorporated or established.
- 1.6 Unless the context otherwise requires, (a) words in the singular shall include the plural and in the plural shall include the singular and (b) a reference to one gender shall include a reference to the other genders.
- 1.7 A reference to a statute or statutory provision includes a reference:
 - (a) to that statute or provision as from time to time consolidated, modified, re-enacted or replaced by any statute or statutory provision;
 - (b) to any repealed statute or statutory provision which it re-enacts (with or without modification); and
 - (c) to all subordinate legislation made from time to time under it.
- 1.8 A reference to **writing** or **written** includes fax and email.
- 1.9 A reference to the Plan or to any other agreement or document referred to in the Plan is a reference to the Plan or such other agreement or document as varied or novated (in each case, other than in breach of the provisions of the Plan) from time to time.
- 1.10 Save where otherwise defined, references to rules and schedules are to rules of and schedules to the Plan.
- 1.11 Any words following the terms **including**, **include**, **in particular**, **for example** or any similar expression shall be construed as illustrative and shall not limit the sense of the words, description, definition, phrase or term preceding those terms.

- 1.12 The Interpretation Act 1978 applies to the Plan in the same way as it applies to an enactment.

2. Eligibility and Grant of Deferred Annual Bonus Awards

- 2.1 Subject to the rules, the Remuneration Committee may grant a Deferred Annual Bonus Award to any Employee who has earned a Bonus part of which is required to be deferred.
- 2.2 Deferred Annual Bonus Awards may only be granted during a Grant Period, or at any other time when, in the opinion of the Remuneration Committee, exceptional circumstances have arisen which justify the grant of a Deferred Annual Bonus Award.
- 2.3 The Remuneration Committee may not grant Deferred Annual Bonus Awards:
- (a) during a Closed Period; or
 - (b) after the tenth anniversary of the Adoption Date.
- 2.4 The Remuneration Committee shall grant a Deferred Annual Bonus Award by procuring that the Company executes a deed (or by such other method as the Remuneration Committee may decide). Multiple Deferred Annual Bonus Awards may be granted to multiple Award Holders under a single deed. An Award Certificate shall be provided to each Award Holder as soon as reasonably practicable following the grant of the Deferred Annual Bonus Award(s).

Each Award Certificate shall (without limitation):

- (a) state the Grant Date of the Deferred Annual Bonus Award;
- (b) state the number of Shares in relation to which the Deferred Annual Bonus Award is granted;
- (c) state the type of Deferred Annual Bonus Award;
- (d) if the Deferred Annual Bonus Award is a Nominal Cost Option, state the exercise price (being the price payable per Share);
- (e) if the Deferred Annual Bonus Award is a Transfer Only Award, state that the Award is a Transfer Only Award;
- (f) if the Award is a Forfeitable Share Award in respect of which the Remuneration Committee has decided that the relevant Shares will be held by a Nominee, state the identity of the Nominee;
- (g) if the Award is not a Forfeitable Share Award, state whether Dividend Equivalents will apply to the Deferred Annual Bonus Award, if known at the Grant Date;
- (h) if the Deferred Annual Bonus Award is an Option, state the date when it will ordinarily lapse (the “**Lapse Date**”), assuming that no event occurs to cause it to

lapse earlier. The Lapse Date may not be later than the tenth anniversary of the Grant Date (and if no Lapse Date is specified, the Option shall lapse on the tenth anniversary of the Grant Date, unless it lapses earlier in accordance with these rules), save that if any Option cannot be exercised during the period of 30 days ending with the Lapse Date because of any Dealing Restrictions, the Remuneration Committee may extend the Lapse Date to such date as the Remuneration Committee determines appropriate to permit the Option to be exercised within a period (not exceeding 42 days) after the Dealing Restrictions cease to apply;

- (i) specify the Vesting Period;
- (j) include a statement that the Deferred Annual Bonus Award is subject to the rules (which shall be incorporated in the Award Certificate by reference), in particular the Malus and Clawback and Tax Liabilities provisions, and
- (k) state any Relevant Restriction.

2.5 No amount shall be paid by an Employee for the grant of a Deferred Annual Bonus Award (save for nominal consideration if the Deferred Annual Bonus Award is granted other than by deed).

2.6 If the Company makes a Forfeitable Share Award, the Remuneration Committee may, in its absolute discretion, arrange for the Shares subject to the Award to be allotted and issued, or transferred, to the Nominee to be held in accordance with rule 8.

2.7 It shall be a condition of the grant and Vesting of every Deferred Annual Bonus Award that the Award Holder unconditionally and irrevocably agrees:

- (a) to the provisions in rule 12 and rule 24 by signing an Acceptance Notice in accordance with the instructions set out therein and returning it to the person to whom such notice specifies that it must be returned by the deadline set out therein, (or indicating their agreement to the terms of the Acceptance Notice by any other means specified by the Remuneration Committee), and
- (b) to provide to the Company, within 14 days of a request by the Company, duly signed and executed originals of all documents (including documents of transfer or powers of attorney) considered necessary or desirable by the Company to effect or enforce the terms of rule 12 and rule 24.

3. Rights in relation to Shares and Dividend Equivalents

3.1 An Award Holder has no voting, dividend or other rights attaching to the Shares over which their Deferred Annual Bonus Award (other than a Forfeitable Share Award) subsists before they acquire such Shares.

- 3.2 A Deferred Annual Bonus Award (other than a Forfeitable Share Award) shall include a Dividend Equivalent unless the Remuneration Committee decides otherwise. A Dividend Equivalent is a right to receive a payment on (or shortly following) the Vesting Date or, in respect of an Option, the Exercise Date, calculated in accordance with rule 3.3 below.
- 3.3 The payment is equal in value to the aggregate dividends (calculated on any basis the Remuneration Committee decides) paid on a Share in the period between the Grant Date and the Vesting Date of the relevant Deferred Annual Bonus Award, multiplied by the number of Shares in respect of which the Deferred Annual Bonus Award has Vested (or, in respect of an Option, the number of Shares in respect of which it has been exercised).
- 3.4 A Dividend Equivalent shall be paid in additional Shares unless the Remuneration Committee decides that it shall be paid in cash. Dividend Equivalents paid to Executive Directors will normally be in the form of Shares.

4. Individual grant limits

- 4.1 The aggregate Market Value of the Shares subject to (or by reference to which the value of a Cash-only Award is calculated) any Deferred Annual Bonus Award (measured as at the Grant Date of the relevant Deferred Annual Bonus Award) may not exceed 100% of the gross amount of the Deferred Bonus to which that Deferred Annual Bonus Award relates.

5. Overall grant limits

- 5.1 The Company may not grant a Deferred Annual Bonus Award if that grant would result in the total number of Dilutive Shares exceeding 10% of the issued ordinary share capital of the Company.
- 5.2 The Company may not grant a Deferred Annual Bonus Award if that grant would result in the total number of Discretionary Dilutive Shares exceeding 5% of the issued ordinary share capital of the Company.
- 5.3 The Remuneration Committee may:
- (a) save to the extent it would cause the above limits to be breached, redesignate a Transfer Only Award as not being a Transfer Only Award, in which case the Shares subject to that Award will be Dilutive Shares, and
 - (b) redesignate an Award which is not a Transfer Only Award as being a Transfer Only Award, in which case the Shares subject to that Award will cease to be Dilutive Shares.

6. Purported grant of a Deferred Annual Bonus Award in excess of limits

6.1 If a Deferred Annual Bonus Award is purported to be granted in breach of the limit(s) in:

- (a) Rule 4.1, the number of Shares over (or in respect of) which the Deferred Annual Bonus Award is purported to have been granted will be reduced to the largest number that would comply with Rule 4.1 and the Deferred Annual Bonus Award will take effect from the Grant Date as if it had been granted over such lower number of Shares at the outset, and
- (b) Rule 5.1 and/or Rule 5.2, the Remuneration Committee may decide that the number of Shares over (or in respect of) which the Deferred Annual Bonus Award is purported to have been granted will, together with the number of Shares over which all other Deferred Annual Bonus Awards have been granted on the same Grant Date, be reduced pro rata to the largest lower number that complies with Rule 5.1 and/or Rule 5.2, as appropriate. Where this Rule operates, when the number of Shares under the Deferred Annual Bonus Award has been adjusted accordingly, a Deferred Annual Bonus Award will take effect from the Grant Date as if it had been granted on the adjusted terms.

7. US Award Holders

In addition to the terms of the Plan and any Award Certificate, a Deferred Annual Bonus Award granted to a US Award Holder shall be subject to the Schedule hereto. To the extent the terms of the Schedule conflict with the terms of the Plan or any Award Certificate for a Deferred Annual Bonus Award granted to a US Award Holder, the terms of the Schedule shall prevail.

8. Forfeitable Share Awards

8.1 On or as soon as practicable after the Grant Date of a Forfeitable Share Award, the proposed Award Holder shall sign an Acceptance Notice and, if the Remuneration Committee so decides, a Nominee Agreement which shall give effect to the following provisions of this rule 8. If the Award Holder fails to sign and return the Acceptance Notice and (if required) the Nominee Agreement to the Company within 30 days after the Grant Date, the Award Holder shall (unless the Remuneration Committee in its absolute discretion decides otherwise) forfeit for no consideration all interest in the Forfeitable Shares.

8.2 The Forfeitable Shares shall (if the Remuneration Committee so requires) be registered in the name of the Nominee until the end of the period during which they are potentially subject to forfeiture. Alternatively, the Remuneration Committee may decide that the share certificates representing the Forfeitable Shares shall be retained by an officer of the Company until the end of such period.

8.3 Dividends paid on the Forfeitable Shares where the record date of the dividend occurs before the Vesting Date shall be dealt with in such manner as the Remuneration Committee may decide. Dividends paid on the Forfeitable Shares where the record date falls after the Vesting Date shall be paid to the Award Holder.

8.4 A Nominee shall not exercise voting rights on the Forfeitable Shares at any general meeting of members of the Company that occurs before the Vesting Date.

A Nominee shall seek the Award Holder's directions as to how to exercise its voting rights at any general meeting of members of the Company that occurs after the Vesting Date and shall comply with those directions.

8.5 If the Company makes an offer conferring any rights on its members to acquire (for payment) additional shares or securities in a Group Company and Forfeitable Shares are held by a Nominee, the Nominee shall sell sufficient of the rights, nil paid, to pay the full amount to acquire the balance of such rights.

A Nominee shall hold any additional shares or securities so acquired on the same terms as it holds Forfeitable Shares and shall hold any related cash amount (e.g. a special dividend) on the same terms as it holds Forfeitable Shares (*mutatis mutandis*).

8.6 The Nominee shall comply with any direction from the Award Holder concerning a surrender of Awards.

9. Vesting Date

9.1 Subject to the rules of the Plan, a Deferred Annual Bonus Award will Vest on the Vesting Date.

9.2 Where Dealing Restrictions would prevent an Award Holder from selling Shares they acquire on the Vesting of a Conditional Share Award to fund a Tax Liability which would arise on the Vesting of such Award, the Award will instead Vest on the first Dealing Day after such Dealing Restrictions cease to apply (unless the Remuneration Committee decides, if permitted by the relevant Dealing Restrictions, that the Vesting will not be so delayed).

10. Suspension of Deferred Annual Bonus Awards

10.1 A Deferred Annual Bonus Award shall not Vest, and an Award Holder may not exercise an Option, at any time:

- (a) while disciplinary proceedings by any Group Company are underway against the Award Holder; or

- (b) while any Group Company is investigating the Award Holder's conduct and may as a result begin disciplinary proceedings.

10.2 Subject to rule 2.7, rule 18 and rule 19, a Deferred Annual Bonus Award that did not Vest on its expected Vesting Date (and an Option which the Award Holder was prevented from exercising) due to the application of rule 10.1 shall Vest (and an Option which has already Vested may be exercised) if the Remuneration Committee so determines within 21 Business Days of the conclusion of the disciplinary proceedings or investigation.

- (a) If the Remuneration Committee determines that the Deferred Annual Bonus Award shall Vest (and/or may be exercised), the Vesting Date of that Deferred Annual Bonus Award (and/or the date from which the Option may be exercised) shall be the date of the Remuneration Committee's determination (or, if that date falls in a Closed Period, the first Dealing Day following the end of that Closed Period).
- (b) If the Remuneration Committee does not determine that the Deferred Annual Bonus Award shall Vest (and/or may be exercised), the Deferred Annual Bonus Award shall lapse at the end of the 21 day period.

11. Circumstances in which malus and clawback can apply

11.1 Rule 11 applies in relation to a Deferred Annual Bonus Award if rule 11.2 and 11.3 apply.

11.2 This rule 11.2 applies in relation to a Deferred Annual Bonus Award if the Remuneration Committee, in its absolute discretion, determines that any of the following circumstances exist:

- (a) there was a material error in (or the Remuneration Committee (at its discretion) determines that a Group Company materially mis-stated any financial information (whether or not audited) for any part of any Year that was taken into account in):
 - (i) determining whether the Deferred Annual Bonus Award should be made;
 - (ii) determining the size and nature of the Deferred Annual Bonus Award, or
 - (iii) calculating the extent to which a Deferred Annual Bonus Award Vests;
- (b) any Group Company or business unit has suffered serious reputational damage to which the Award Holder has contributed (each as determined by the Remuneration Committee in its absolute discretion);
- (c) the Company has reasonable evidence of fraud, serious misconduct, gross negligence, dishonesty, a breach of the Company's Code of Business Conduct, or material wrongdoing by the Award Holder, or
- (d) the Remuneration Committee, at its discretion, determines that a Group Company or business unit that employs or employed the Award Holder, or for

which the Award Holder is or was (in whole or as to a material part) responsible, has suffered a corporate failure or a material failure of risk management;

any such circumstances which the Remuneration Committee determines exist being the “**Relevant Circumstances**”.

11.3 This rule 11.3 applies in relation to a Deferred Annual Bonus Award if the Remuneration Committee, at its discretion, determines that, if the Relevant Circumstances had existed, and the Remuneration Committee had been fully aware that they existed:

- (a) at the Grant Date, or
- (b) in the case of a Deferred Annual Bonus Award that has already Vested, at the date it Vested,

then:

- (c) the Remuneration Committee would not have granted the Deferred Annual Bonus Award;
- (d) the Remuneration Committee would have granted the Deferred Annual Bonus Award in relation to a smaller number of Shares; or
- (e) in the case of a Deferred Annual Bonus Award that has already Vested:
 - (i) it would not have Vested at all, or
 - (ii) it would have Vested in relation to a smaller number of Shares.

11.4 The Remuneration Committee may make a determination in relation to a Deferred Annual Bonus Award under rule 11 at any time between the Deferred Annual Bonus Award’s Grant Date and the third anniversary of its Vesting Date.

11.5 If an investigation into the conduct or actions of an Award Holder has started before the end of the period of time in rule 11.4, the Remuneration Committee may, in its absolute discretion, determine the provisions of this rule 11 and rule 12 may be applied to the Deferred Annual Bonus Award until such time as the Remuneration Committee determines following the conclusion of the investigation.

12. Operation of malus and clawback

12.1 This rule 12 applies to a Deferred Annual Bonus Award if rule 11 applies to the Deferred Annual Bonus Award. In this rule, references to Shares include Shares by reference to which a cash payment under a Cash-only Award is calculated and this rule shall apply mutatis mutandis to Cash-only Awards.

12.2 If at the date of the determination under rule 11.3, all or any part of the Deferred Annual Bonus Award has not Vested (or, in the case of an Option, all or any part has not Vested

or the part which has Vested has not been exercised), the Remuneration Committee may determine to cancel the Deferred Annual Bonus Award (or part thereof, as applicable) or reduce it by such number of Shares as the Remuneration Committee considers to be fair and reasonable, taking account of all circumstances that the Remuneration Committee considers to be relevant.

- 12.3 If at the date of the determination under rule 11.3, all or any part of the Deferred Annual Bonus Award has Vested (and, in the case of an Option, all or any part has been exercised), the Remuneration Committee may determine a Clawback Amount in relation to the Deferred Annual Bonus Award (or relevant part).
- 12.4 The Clawback Amount shall be such amount as the Remuneration Committee considers to be fair and reasonable, taking account of all circumstances that the Remuneration Committee considers to be relevant, but shall not be more than:
- (a) in relation to an Option that has been exercised, the greater of the following (plus any Dividend Equivalents paid to the Award Holder in respect of that Option):
 - (i) the Market Value of the Shares over which it was exercised measured on the Exercise Date of the Option, and
 - (ii) the Market Value of the Shares over which it was exercised measured on the date of the determination;
 - (b) in relation to a Non-Option Award, the greater of the following (plus any Dividend Equivalents paid to the Award Holder in respect of that Non-Option Award):
 - (i) the Market Value of the Shares in respect of which the Deferred Annual Bonus Award Vested measured on the Vesting Date, and
 - (ii) the Market Value of the Shares in respect of which the Deferred Annual Bonus Award Vested measured on the date of the determination.
- 12.5 The Award Holder shall use his or her best endeavors to seek and obtain repayment or credit from the Tax Authority of any Tax Liability paid on the Award Holder's behalf in relation to the Deferred Annual Bonus Award as soon as reasonably practicable and to notify the Company of their receipt of any credit or payment by the Tax Authority of an amount representing all or part of such Tax Liability (the "**Tax Refund**"). Within the 30 days following such notification, the Award Holder will pay to the Company an amount equivalent to the amount of the Tax Refund.
- 12.6 If the Award Holder has paid or is liable to pay any Tax Liability in relation to the Deferred Annual Bonus Award or the Shares and which cannot be recovered from or repaid by the Tax Authority (whether directly or indirectly), the Remuneration Committee may in its discretion decide to reduce the Clawback Amount to take account of this amount (save where the calculation of the Clawback Amount already took into account any Tax Liability paid).

- 12.7 The Remuneration Committee is not obliged to determine a Clawback Amount in relation to any particular Deferred Annual Bonus Award, even if the Remuneration Committee does determine a Clawback Amount in relation to other Deferred Annual Bonus Awards to the same or other Award Holders which had the same Grant Date or Vesting Date.
- 12.8 The Company may, to the extent permitted by applicable law, obtain recovery of the Clawback Amount from the Award Holder in any (or any combination) of the following ways:
- (a) by reducing or cancelling any cash bonus payable to the Award Holder by any Group Company;
 - (b) by reducing or cancelling any Options that the Award Holder has not exercised;
 - (c) by reducing or cancelling any Non-Option Awards that have not yet Vested;
 - (d) by reducing or cancelling any future or existing award made or option granted to the Award Holder under any cash-based or share-based incentive scheme or bonus scheme operated by any Group Company (other than any tax-advantaged scheme established under schedules 2 to 5 (inclusive) of ITEPA 2003);
 - (e) by requiring the Award Holder to make a cash payment equal to the Clawback Amount to a Group Company (or to such other person as the Company may direct) within 30 days of receiving a written demand by the Company for the same, and, for the purposes of section 15(1)(b) of the Employment Rights Act 1996 and any relevant laws in any other jurisdiction (in each case to the extent applicable), by accepting a Deferred Annual Bonus Award the Award Holder consents to such payment being made and the Company receiving such payment (and, if the Award Holder fails to make such payment within the period of 30 days beginning with the date the demand was made, the Company or any other company may make appropriate deductions from any salary or other payment due to the Award Holder under or in connection with the Award Holder's employment or any payment due to the Award Holder on or following the termination of the Award Holder's employment, and, for the purposes of section 13(1)(b) of the Employment Rights Act 1996 and any relevant laws in any other jurisdiction (in each case to the extent applicable), by accepting a Deferred Annual Bonus Award the Award Holder consents to such deductions being made).
- 12.9 If the Award Holder participates in another Employees' Share Scheme or bonus scheme operated by a Group Company, and that other scheme contains a provision that has a similar effect to this rule 12, the Remuneration Committee may give effect to that provision in any of the following ways:
- (a) by reducing or cancelling any Options that the Award Holder has not exercised;
or
 - (b) by reducing or cancelling any Non-Option Awards that have not yet Vested.

13. Exercise of Options

- 13.1 An Award Holder may (and may only) exercise an Option in the period beginning with the Vesting Date and ending on the date the Option lapses in accordance with these rules.
- 13.2 An Award Holder may only exercise an Option to the extent that it has Vested and any other condition stated in the Award Certificate is satisfied.
- 13.3 An Award Holder may not exercise an Option at a time when its exercise is prohibited by, or would be a breach of, any Dealing Restrictions.
- 13.4 An Award Holder may not exercise an Option without having signed the Exercise Notice and made any arrangements, or entered into any agreements, that may be required pursuant to rule 12 and rule 24.

14. Manner of exercise of Options

- 14.1 An Option may only be exercised over the entire number of Shares in respect of which it has Vested or such other number as agreed with the Remuneration Committee.
- 14.2 The Award Holder shall exercise an Option (in whole or, where permitted, in part) by giving an Exercise Notice to the Company setting out the number of Shares over which the Award Holder wishes to exercise the Option. If that number exceeds the number over which the Option may be validly exercised at the time, the Company shall:
 - (a) treat the Option as exercised only in respect of that lesser number; and
 - (b) refund any excess amount paid by the Award Holder to be applied towards meeting any Tax Liability.
- 14.3 The Exercise Notice shall be accompanied by any payment required under rule 24 (and, in relation to a Nominal Cost Option, payment of an amount equal to the aggregate exercise price of the number of Shares specified in the notice) unless the Award Holder has entered into binding alternative arrangements to secure the payment of those amounts which are satisfactory to the Remuneration Committee.
- 14.4 The Exercise Notice shall contain or be accompanied by any documents relating to arrangements or agreements required under rule 12 and rule 24.
- 14.5 Any Exercise Notice shall be invalid:
 - (a) to the extent that it is inconsistent with the Award Holder's rights under these rules or the Award Certificate relating to the Option which the Award Holder is purporting to exercise;
 - (b) if any of the requirements of rule 14.2, 14.3 or 14.4 are not met; or

- (c) if any payment referred to in rule 14.3 is made by a cheque that is not honoured on first presentation or that fails in any other manner to transfer the expected value to the Company.

The Company may permit the Award Holder to correct any defect referred to in rule 14.5 (but shall not be obliged to do so). The date of any corrected Exercise Notice shall be the date of the correction rather than the date of the original notice for all other purposes of the Plan.

15. Settlement of Deferred Annual Bonus Awards other than Forfeitable Share Awards

- 15.1 This rule 15 is subject to rule 16.
- 15.2 Within 30 days after the Vesting of a Conditional Share Award, or the valid exercise of a Nil Cost Option or Nominal Cost Option, the Company shall (unless prevented by any Dealing Restrictions, and provided it has obtained any necessary approvals or consents and the Tax Liability has been paid, or arrangements for it to be paid have been made to the satisfaction of the Remuneration Committee), allot and issue Shares or, as appropriate, procure their transfer to the Award Holder (or, if the Remuneration Committee so decides, the Nominee).
- 15.3 Where the Company is prevented by any Dealing Restrictions from allotting and issuing, or procuring the transfer of Shares, it will allot and issue, or procure the transfer of, the relevant Shares as soon as reasonably practicable after such Dealing Restrictions cease to apply.
- 15.4 Shares allotted and issued in accordance with rule 15.2 shall rank equally in all respects with the other shares of the same class in issue at the date of allotment, except for any Relevant Restriction or any rights determined by reference to a date before the date of allotment.
- 15.5 Shares transferred in accordance with rule 15.2 shall be transferred free of any lien, charge or other security interest, other than any Relevant Restriction, and with all rights attaching to them, other than any rights determined by reference to a date before the date of transfer.
- 15.6 If the Shares are Listed, the Company shall apply to the appropriate body for any newly issued Shares allotted in accordance with rule 15.2 to be listed or admitted to trading on that exchange.
- 15.7 Within 30 days after the valid exercise of a Phantom Option or the Vesting of a Phantom Share Award, the Company shall pay (or procure the payment) to the Award Holder of the amount of cash due under the Deferred Annual Bonus Award. The Company shall make

such deductions from the payment as are required by law, including any withholding taxes, in accordance with rule 24.

16. Alternative methods of settlement of Deferred Annual Bonus Awards

- 16.1 Instead of delivering the number of Shares subject to a Share-settled Deferred Annual Bonus Award, the Company may settle the Deferred Annual Bonus Award by making a cash payment to the Award Holder equal to the Market Value of the Shares in respect of which the Deferred Annual Bonus Award has Vested (or in the case of a Nil Cost Option, been exercised, and in the case of a Nominal Cost Option, less the aggregate exercise price of those Shares). Where the Company settles a Deferred Annual Bonus Award in the manner described in this rule, this shall be in full and final satisfaction of the Award Holder's rights under the Deferred Annual Bonus Award.
- 16.2 In the case of Executive Directors, any operation of rule 16.1 shall be consistent with the applicable Directors' Remuneration Policy.

17. Lapse of Deferred Annual Bonus Awards

- 17.1 An Award Holder may not transfer or assign, or create any charge or other security interest over a Deferred Annual Bonus Award (or any right arising under it) or otherwise encumber or dispose of a Deferred Annual Bonus Award. A Deferred Annual Bonus Award shall lapse if the Award Holder attempts to do any of those things, save that this rule 17.1 shall not prevent the transmission of a Deferred Annual Bonus Award to an Award Holder's personal representatives on the death of the Award Holder.
- 17.2 In addition to any lapse provisions elsewhere in the rules, a Deferred Annual Bonus Award shall lapse (which, in the case of a Forfeitable Share Award, shall mean that the Award Holder shall forfeit for no consideration all interest in the Forfeitable Shares, or the appropriate proportion of them) on the earliest of the following:
- (a) on the Vesting Date, to the extent the Deferred Annual Bonus Award does not Vest;
 - (b) any date on which the Deferred Annual Bonus Award shall lapse, as specified in the Award Certificate;
 - (c) unless the Remuneration Committee decides otherwise, if the Award Holder has not indicated their agreement to the terms of the Acceptance Notice by returning a signed copy to the person to whom the Acceptance Notice states that it must be returned (or by any other means specified by the Remuneration Committee), on the deadline specified in the Acceptance Notice;
 - (d) when required by and to the extent necessary to give effect to any reduction or cancellation under rule 12;

- (e) in respect of Options, to the extent unexercised, at the end of the applicable period under rule 18.2;
- (f) the first anniversary of the Award Holder's death;
- (g) the date the Award Holder becomes a Bad Leaver;
- (h) the time specified for the lapse of the Deferred Annual Bonus Award under rule 22 if any part of that rule 22 applies;
- (i) if the Remuneration Committee so determines under rule 23.3;
- (j) a breach of rule 29, unless the Remuneration Committee decides otherwise;
- (k) if the Award Holder becomes bankrupt under Part IX of the Insolvency Act 1986, applies for an interim order under Part VIII of the Insolvency Act 1986, proposes or makes a voluntary arrangement under Part VIII of the Insolvency Act 1986, or takes similar steps, or is similarly affected, under equivalent non-UK legislation,
- (l) unless the Remuneration Committee decides otherwise, an Award Holder who has ceased to be an Employee materially breaches any confidentiality, non-competition, non-disclosure or non-solicitation agreement with any Group Company, or
- (m) the passing of an effective resolution, or the making of an order by the Court, for the insolvent winding-up of the Company.

18. Termination of employment (Options)

18.1 Rule 18 applies to Options.

18.2 An Award Holder who becomes a Good Leaver (other than by reason of death) before the Ordinary Vesting Date may exercise their Option in full during the period of six months beginning on the earliest of:

- (a) the Ordinary Vesting Date;
- (b) the date on which the Option Vests under rule 22, after the application of rule 22.1 and subject to rule 22.2 (in each case, to the extent applicable), and
- (c) such earlier date as the Remuneration Committee may specify.

18.3 An Award Holder who becomes a Good Leaver (or their personal representatives where they have so become by reason of death) on or after the Ordinary Vesting Date may exercise the Option during the period of six months following the date the Award Holder becomes a Good Leaver (or where the Award Holder has become a Good Leaver by reason of death, until the first anniversary of the date of the Award Holder's death).

- 18.4 The personal representatives of an Award Holder who becomes a Good Leaver by reason of death may exercise the Award Holder's Option(s) in full during the period of one year from the date of the death of the Award Holder.

19. Termination of employment (Non-Option Awards)

- 19.1 Rule 19 applies to Non-Option Awards.
- 19.2 If an Award Holder becomes a Good Leaver (other than by reason of death) before the Ordinary Vesting Date, the Deferred Annual Bonus Award will Vest in full on the earliest of:
- (a) the Ordinary Vesting Date;
 - (b) the date on which the Deferred Annual Bonus Award Vests under rule 22, after the application of rule 22.1 (to the extent applicable), and
 - (c) such earlier date as the Remuneration Committee may specify.
- 19.3 Where the Award Holder becomes a Good Leaver by reason of death, their Deferred Annual Bonus Award(s) will Vest to the Award Holder's personal representatives in full on the date of the Award Holder's death.

20. Termination of employment (timing)

- 20.1 Subject to rule 20.2, for the purposes of rules 18 and 19, an Award Holder shall not be treated as ceasing to be an Employee until he or she no longer holds any office or employment with any Group Company. An Award Holder who ceases to be an Employee in circumstances where they retain a statutory right to return to work shall only be treated as having ceased to be an Employee from such time (if at all) as they cease to have such a right to return to work.
- 20.2 The Remuneration Committee may determine that an Award Holder will be treated as ceasing to be an Employee when he or she gives or receives notice of termination of his or her employment.

21. Award Holder relocated abroad

- 21.1 Except in the case of Executive Directors, if it is proposed that an Award Holder, while continuing to be an Employee, should work in a country other than the country in which he or she is currently working and, by reason of the change, the Award Holder would:
- (a) suffer less favourable tax treatment in respect of his Deferred Annual Bonus Award, or

- (b) become subject to a restriction on his or her ability to exercise an Option, to have issued or transferred to him or her the Shares subject to a Deferred Annual Bonus Award or to hold or deal in such Shares or the proceeds of sale of such Shares, the Remuneration Committee may, in its absolute discretion, determine that a Deferred Annual Bonus Award will Vest immediately either in full or to the extent determined by the Remuneration Committee in its absolute discretion and subject to such conditions as it may require taking into account such factors as the Remuneration Committee may consider relevant including, but not limited to, the period of time the relevant Deferred Annual Bonus Award has been held and the extent to which any Performance Condition(s) has/have been met.
- 21.2 Where the Deferred Annual Bonus Award is an Option and has Vested pursuant to rule 21.1 above, the Award Holder may exercise his Option at any time during the period beginning 90 days before the proposed date of his transfer and ending 90 days after the date of his actual transfer. If not so exercised, the Option shall not lapse but shall cease to be treated as having Vested and shall continue in force in accordance with its terms.
- 22. Takeovers and liquidations**
- 22.1 Where a Change of Control occurs during the Vesting Period, unless the Remuneration Committee decides otherwise, all Deferred Annual Bonus Awards will Vest in full (or to such lesser extent as the Remuneration Committee may determine is appropriate, having regard to the period of employment between the Grant Date and the date of the Change of Control).
- 22.2 Options may be exercised within a period of six months beginning with the date of the Change of Control (and on the expiry of such period, will lapse to the extent unexercised), unless the Remuneration Committee requests in writing that holders of Options give an Exercise Notice within a period to be specified by the Remuneration Committee ending before the Acquiror obtains Control of the Company. If the Remuneration Committee makes such a request and an Award Holder fails to give an advance Exercise Notice in respect of their Option within the time period specified by the Remuneration Committee, then his or her Option shall lapse on the occurrence of the Change of Control (which in respect of a Scheme of Arrangement shall for the purposes of this rule be deemed to be when the scheme becomes effective).
- 22.3 The Vesting of Deferred Annual Bonus Awards (and, where an advance Exercise Notice has been requested and received by the Company by the relevant deadline, the exercise of Options), shall take effect immediately before the Change of Control (or, in the case of a Scheme of Arrangement, within the period beginning with the time the Court sanctions the Scheme of Arrangement and ending on the scheme record time).

- 22.4 If the anticipated Change of Control does not occur, the Vesting of Deferred Annual Bonus Awards pursuant to rule 22.1 shall be treated as having no effect, any Exercise Notice given pursuant to rule 22.2 shall be deemed never to have been given, and all Deferred Annual Bonus Awards shall continue on their terms.

Compulsory acquisitions

- 22.5 If any person becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006, all Deferred Annual Bonus Awards shall Vest in full and an Award Holder may exercise all or any part of any Option at any time when the person remains so bound or entitled and the Option shall lapse to the extent unexercised at the end of the period during which that person first becomes bound or entitled.

Internal reorganisations

- 22.6 If the Acquiror is a company and its shareholders and the proportion of its shares held by each of them following completion of the Change of Control are substantially the same as the shareholders and their shareholdings in the Company immediately before the Change of Control, any Deferred Annual Bonus Awards will be automatically exchanged for awards on the same terms (*mutatis mutandis*) over shares in the Acquiror, unless the Remuneration Committee decides that this rule 22.6 shall not apply. Where Deferred Annual Bonus Awards are so exchanged, the Plan shall be interpreted in relation to any replacement awards as if references to the Company were references to the Acquiror.

Winding up

- 22.7 If the shareholders of the Company pass a resolution for the voluntary winding up of the Company, all Deferred Annual Bonus Awards shall Vest in full and any Award Holder may exercise an Option for two months from the date the resolution is passed (and on the expiry of such period, Options will lapse to the extent unexercised).
- 22.8 The Remuneration Committee shall notify Award Holders of any event that is relevant to Awards under this rule 22 within a reasonable period after the Remuneration Committee becomes aware of it.

23. Variation of share capital

- 23.1 This rule 23 applies where there is:
- (a) a variation of share capital; or
 - (b) an extraordinary distribution to shareholders.
- 23.2 In this rule 23:

- (a) a variation of share capital includes a capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company, a vendor placing with clawback, a vendor rights offer or a cash open offer, but excludes a scrip dividend, and
- (b) an extraordinary distribution to shareholders includes a demerger or special dividend.

23.3 If notice is given to shareholders of the Company of a proposed extraordinary distribution, which the Remuneration Committee considers would materially affect the Market Value of the Shares, it may determine that:

- (a) Deferred Annual Bonus Awards shall Vest as if the extraordinary distribution were a Change of Control; and
- (b) an Award Holder may exercise all or any part of any Option within the period of two months (or such longer period specified by the Remuneration Committee) ending immediately before the record date for the extraordinary distribution. The Remuneration Committee shall have discretion to determine that an Option (including an Option which has Vested other than pursuant to (a) above) that is not exercised by the end of that period shall lapse.

The Remuneration Committee may decide that the Vesting of Deferred Annual Bonus Awards and exercise of Options shall be conditional on the extraordinary distribution actually occurring and shall be treated as having no effect if the extraordinary distribution does not occur.

If the Remuneration Committee does not determine that Deferred Annual Bonus Awards shall Vest and Options may be exercised, the Remuneration Committee may nevertheless make an adjustment to the Deferred Annual Bonus Awards under rule 23.4.

23.4 If a variation of share capital or an extraordinary distribution occurs and the Remuneration Committee considers that it has materially affected the value of Deferred Annual Bonus Awards, the Remuneration Committee shall consider whether it is fair to adjust the terms of the Deferred Annual Bonus Awards and, if so, the Remuneration Committee shall make such adjustment as it considers appropriate to:

- (a) the number of Shares subject to the Deferred Annual Bonus Award;
- (b) the class and nominal value of shares subject to the Deferred Annual Bonus Award, and
- (c) in the case of a Nominal Cost Option, the exercise price.

23.5 The Remuneration Committee may take any actions it considers necessary to notify all affected Award Holders of any decision made under this rule 23 and may call in, cancel, endorse, issue or re-issue any Award Certificate as a result of any adjustment(s).

- 23.6 The Remuneration Committee may not reduce below the nominal value of a Share the exercise price of any Option which will or may be satisfied by the issue of Shares, unless the Company is able, and the Remuneration Committee resolves, to capitalise from reserves an amount sufficient (when aggregated with the reduced exercise price payable) to pay up the Shares in full on their allotment and issue pursuant to the exercise of the Option.

24. Tax liabilities

- 24.1 Each Award Holder unconditionally and irrevocably agrees as a condition of the grant, holding and Vesting of a Deferred Annual Bonus Award (and the exercise of an Option), and any right to receive any Shares, cash or other benefit under the Plan in relation to their Deferred Annual Bonus Award:
- (a) to pay the Tax Liability to the Relevant Company;
 - (b) to enter into arrangements to the satisfaction of the Company or Employer Company to pay the Tax Liability (including but not limited to net settlement, whereby the Company settles part of the Award in cash that it sends to HMRC in satisfaction of its PAYE and NIC withholding obligations);
 - (c) to indemnify and keep indemnified the Relevant Company in respect of any Tax Liability;
 - (d) that if they do not pay the Tax Liability to the Relevant Company within seven days of any Taxable Event, the Company or Employer Company, as appropriate, may:
 - (i) if the relevant Taxable Event is the exercise of a Nil or Nominal Cost Option or the Vesting of a Conditional Share Award, and the Shares are readily saleable at the time, retain and sell such number of Shares on behalf of the Award Holder as is necessary to meet the Tax Liability and any costs of such sale; or
 - (ii) deduct the amount of any Tax Liability from any payments of remuneration made to the Award Holder on or after the date on which the Tax Liability arose;
 - (e) to enter into a valid joint election under section 431(1) of ITEPA 2003 in respect of the Shares to be acquired on the Vesting of the Deferred Annual Bonus Award or exercise of the Option, if required to do so by the Company or Employer Company, on or before the Vesting of the Deferred Annual Bonus Award or exercise of the Option;
 - (f) that the obligations above shall not be affected by any failure of the Company or their Employer Company to withhold shares or deduct from payments of remuneration under rule 24.1(d).

25. Relationship with employment contract

- 25.1 This rule 25 shall apply notwithstanding any other provision of these rules.
- 25.2 The Plan shall not form any part of any contract of employment or terms of appointment between any past or present Group Company and any directors, officers or employees of any of those companies, and it shall not confer on any such persons any legal or equitable rights (other than those constituting the Deferred Annual Bonus Awards themselves) against any past or present Group Company, directly or indirectly, or give rise to any cause of action in law or in equity against any Group Company.
- 25.3 The value of any benefit realised under the Plan by Award Holders shall not form any part of their pay, wages, remuneration or fees or be taken into account in determining any pension or similar entitlements.
- 25.4 The Employees to whom Deferred Annual Bonus Awards are granted and the terms of such Deferred Annual Bonus Awards shall be determined by the Remuneration Committee in its absolute discretion. The Remuneration Committee may at any time discontinue the grant of Deferred Annual Bonus Awards or decide in any year not to grant any Deferred Annual Bonus Awards. The grant of a Deferred Annual Bonus Award does not give any Award Holder an entitlement (or any expectation of an entitlement) to any future grant of a Deferred Annual Bonus Award pursuant to the Plan notwithstanding that other grants are made in a particular year to other Employees.
- 25.5 Nothing in the Plan or in any document executed under it will:
- (a) give any person any right to continue as an Employee;
 - (b) affect the right of any Group Company to terminate the employment of any person without liability at any time with or without cause; or
 - (c) impose on any Group Company, the Remuneration Committee or their respective agents and employees, any liability in connection with:
 - (i) the loss of an Award Holder's benefits or rights under the Plan,
 - (ii) the failure or refusal of any person to exercise a discretion under the Plan, and/or
 - (iii) an Award Holder ceasing to be a person who has the status or relationship of an employee or director of Group Company for any reason as a result of the termination of the Award Holder's employment.
- 25.6 Award Holders and Employees shall have no rights (and by accepting their Deferred Annual Bonus Award, an Award Holder waives any claim to such rights) to compensation or damages from any Group Company or any former Group Company on account of any

loss in respect of Deferred Annual Bonus Awards or the Plan where this 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 are claimed.

- 25.7 Award Holders and Employees shall have no rights (and by accepting their Deferred Annual Bonus Award, an Award Holder waives any claim to such rights) to compensation or damages for any loss of any right or benefit or prospective right or benefit under the Plan which he or she might otherwise have enjoyed (including, without limitation, the lapse of Deferred Annual Bonus Awards or part thereof by reason of his or her ceasing to be employed by any Group Company) where this loss arises (or is claimed to arise), in whole or in part, from:

- (a) termination of the office or employment by virtue of which he or she is or may be eligible to participate in the Plan with; or
- (b) notice to terminate office or employment given by or to,

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 are claimed (including, but not limited to, wrongful dismissal, breach of contract or by way of compensation for loss of office). By accepting a Deferred Annual Bonus Award, an Award Holder shall be deemed to have agreed to all of the provisions of rule 25 above.

26. Notices

- 26.1 Subject to rule 26.3, any notice or other communication given under or in connection with the Plan shall be in writing and shall be:

- (a) delivered by hand or by prepaid first-class post or other next working day delivery service at the **Appropriate Address**; or

For the purposes of this rule 26.1, the Appropriate Address means:

- (i) in respect of the Company, the Company's registered office at the relevant time (currently, 4th Floor 14 Aldermanbury Square, London, England, EC2V 7HS), provided the notice is marked for the attention of the Group Head of Reward;

- (ii) in respect of an Award Holder, their address last known to the Company, or if the Award Holder has died, and notice of the appointment of personal representatives is given to the Company, any contact address specified in that notice.
- (b) sent by fax to the fax number notified in writing by the recipient to the sender, or
- (c) sent by email to the **Appropriate Email Address**.

For the purposes of this rule 26.1, Appropriate Email Address means:

- (i) in respect of the Company, share.schemes@coats.com; and
- (ii) in respect of an Award Holder, their work email address or such other e-mail address last known to the Company.

26.2 Any notice or other communication given under this rule 26 shall be deemed to have been received:

- (a) if delivered by hand, on signature of a delivery receipt, or at the time the notice is left at the appropriate address;
- (b) if sent by prepaid first-class post or other next working day delivery service, at 9.00 am on the second Business Day after posting, or, if provided, at the time recorded by the delivery service;
- (c) if sent by fax, at 9.00 am on the next Business Day after transmission; and
- (d) if sent by email, at 9.00 am on the next Business Day after sending.

26.3 This rule does not apply to:

- (a) the service of any Acceptance Notice or Exercise Notice; and
- (b) the service of any proceedings or other documents in any legal action or, where applicable, any arbitration or other method of dispute resolution.

27. Administration and amendment

27.1 The Remuneration Committee shall administer the Plan.

27.2 The Remuneration Committee may amend the Plan from time to time, but:

- (a) no amendment will be made which would be to the material disadvantage of an Award Holder unless it is made with the Award Holder's prior written consent or:
 - (i) with the consent of 75% of Award Holders whose Deferred Annual Bonus Awards would be affected, or
 - (ii) to enable any Group Company to comply with any relevant legal or regulatory requirement,

- (b) while Shares are admitted to the Official List, the Remuneration Committee may not make any amendment to the advantage of Employees or Award Holders if that amendment relates to:

- (i) the definition of Employee;
- (ii) rule 4 (Individual grant limits) or rule 5 (Overall grant limits);
- (iii) the basis for determining an Award Holder's entitlement to, and the terms of, Shares or cash to be provided under the Plan, or
- (iv) rule 23 (relating to the variation of share capital)

without the prior approval of the Company in general meeting (except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for Award Holders or for a Group Company).

- 27.3 The cost of establishing and operating the Plan shall be borne by the Group Companies in proportions determined by the Board.
- 27.4 Any decision under these rules and whether to consider making such a decision, shall be entirely at the discretion of the Remuneration Committee.
- 27.5 The Remuneration Committee shall determine any question of interpretation and settle any dispute arising under the Plan, including determining whether anything is material. In these matters, the Remuneration Committee's decision shall be final.
- 27.6 In making any decision or determination, or exercising any discretion under the rules, the Remuneration Committee shall act fairly and reasonably and in good faith.
- 27.7 The Company shall not be obliged to notify any Award Holder if an Option which has Vested is due to lapse.
- 27.8 The Company shall not be obliged to provide Award Holders with copies of any materials sent to the holders of Shares.
- 27.9 The Company shall at all times keep available sufficient authorised but unissued Shares to satisfy the Vesting (and in respect of Options, the exercise) in full of all Share-settled Awards (other than Transfer Only Awards) for the time being remaining capable of Vesting (and in respect of Options, exercised) under this Plan.
- 27.10 The Remuneration Committee may establish sub-plans to operate in overseas territories (overseas sub-plans), provided that:
- (a) all overseas sub-plans are subject to the limitation set out in rule 4 (Individual grant limits) or rule 5 (Overall grant limits);

- (b) only Employees who are resident in (or otherwise subject to the tax laws of) the relevant territory are entitled to participate in any overseas sub-plan, and
- (c) no Employee has an entitlement to awards under any overseas sub-plan greater than the maximum entitlement of an Employee under the Plan.

Any overseas sub-plan must be governed by rules similar to the rules of the Plan, but modified to take account of applicable tax, social security, employment, company, exchange control, trust or securities (or any other relevant) law, regulation or practice.

28. Third party rights

- 28.1 A person who is not a party to a Deferred Annual Bonus Award shall not have any rights under or in connection with it as a result of the Contracts (Rights of Third Parties) Act 1999 except where these rights arise under any rule of the Plan (or any document entered into pursuant to, or in connection with, the Plan) for any Relevant Company that is not a party to a Deferred Annual Bonus Award.

This does not affect any right or remedy of a third party that exists, or is available, apart from the Contracts (Rights of Third Parties) Act 1999.

- 28.2 The rights of the parties to a Deferred Annual Bonus Award to surrender, terminate or rescind it, or agree any variation, waiver or settlement of it, are not subject to the consent of any person that is not a party to the Deferred Annual Bonus Award as a result of the Contracts (Rights of Third Parties) Act 1999.

29. Confidentiality

Each Award Holder must keep the rules of the Plan and details of their Deferred Annual Bonus Award (in each case save as publicly disclosed by the Company), the Acceptance Notice and the Award Certificate (the “**Plan Documents**”) confidential, and must not disclose, or to permit the disclosure of, any of the terms of the Plan Documents to any third party (except as may be requested by the Company and save to the extent such disclosure is expressly protected by law or required by law, a court of competent jurisdiction or any governmental or regulatory authority).

30. Data Privacy

For the purpose of operating the Plan, the relevant Group Company will collect and process information relating to Employees and Award Holders in accordance with the privacy notice which is available on the Company intranet (Coats World).

31. Severability

The invalidity or non-enforceability of one or more provisions of the Plan will not affect the validity or enforceability of the other provisions of the Plan, which will remain in full force and effect.

32. Governing law

The Plan and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with the law of England and Wales. The Remuneration Committee may, in its absolute discretion, determine that another law may apply to the application of the Plan outside England and Wales.

33. Jurisdiction

- 33.1 Each party irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Plan or its subject matter or formation (including non-contractual disputes or claims).
- 33.2 Each party irrevocably consents to any process in any legal action or proceedings under rule 33.1 being served on it in accordance with the provisions of the Plan relating to service of notices. Nothing contained in the Plan shall affect the right to serve process in any other manner permitted by law.

Schedule
US Taxpayers

1. Purpose and definitions

1.1 The purpose of this schedule is to make certain variations to the terms of the Plan solely for Deferred Annual Bonus Awards granted to US Award Holders. The Plan shall be interpreted to include this Schedule 1 in relation to Deferred Annual Bonus Awards granted to US Award Holders. For the avoidance of doubt, this schedule has no application to Award Holders who are not US Award Holders.

1.2 The following definitions apply in this schedule:

Section 409A: means Section 409A of the US Internal Revenue Code of 1986, as amended, and the US Treasury Regulations promulgated and other official guidance issued thereunder, collectively, and Treasury Regulations will be understood accordingly.

Short-Term Deferral Period: means the period commencing on the date that a Non-Option Award is first no longer subject to a “substantial risk of forfeiture” for the purposes of Section 409A and ending upon the 15th day of the third month following the end of the Taxable Year in which such Non-Option Award is first no longer subject to the substantial risk of forfeiture. For the avoidance of doubt, the possible application of rule 11 of the Plan to a Non-Option Award granted to a US Award Holder will not impose an additional or extend the existing substantial risk of forfeiture applicable to such Non-Option Award for purposes of Section 409A.

Taxable Year: means the calendar year, or, if later, the end of the taxable year of the Group Company that employs the US Award Holder.

2. Settlement and payment of Non-Option Awards

2.1 Notwithstanding the terms of the Plan or any Award Certificate, a Non-Option Award granted to a US Award Holder (and any Dividend Equivalents in respect of such Non-Option Award) must be settled or paid no later than the end of the applicable Short-Term Deferral Period.

2.2 In the event that the settlement or payment of a Non-Option Award granted to a US Award Holder (or any Dividend Equivalents in respect of such Non-Option Award) has not been made by the end of the Short-Term Deferral Period because settlement or payment would have violated applicable law, then to the extent permissible under Section 1.409A-1(b)(4)(ii) of the proposed Treasury Regulations, such settlement or payment may be delayed so long as the Non-Option Award (or Dividend Equivalents) are then settled or paid at the earliest date at which it is reasonably anticipated that such law no longer prevents such settlement or payment.

- 2.3 If a US Award Holder is a Good Leaver and the applicable Short-Term Deferral Period (or such later date permitted by this paragraph 2) ends before the Ordinary Vesting Date, the net Shares or cash (as the case may be) acquired by the US Award Holder before the end of the applicable Short-Term Deferral Period (or such later date permitted by this paragraph 2) may not be transferred, assigned or otherwise disposed of by or on behalf of the US Taxpayer before the Ordinary Vesting Date other than:
- (a) a transfer to the US Award Holder's personal representatives in the event of the US Award Holder's death;
 - (b) a transfer to a nominee on behalf of the US Award Holder;
 - (c) a sale in accordance with rule 24 of the Plan to fund any Tax Liability (and any related sale expenses); or
 - (d) a transfer under rule 11 of the Plan;

and any such purported action will be invalid and ineffective, unless the Remuneration Committee determines otherwise.

3. Additional provisions applicable to US Award Holders

- 3.1 The Company may not grant an Option to a US Award Holder.
- 3.2 Notwithstanding the provisions of rule 27.2 of the Plan, any amendment to the Plan (including this schedule) or a Deferred Annual Bonus Award shall only be effective with respect to a Deferred Annual Bonus Award granted to a US Award Holder to the extent that it does not cause the Deferred Annual Bonus Award to violate Section 409A.
- 3.3 Non-Option Awards granted to US Award Holders, and any Dividend Equivalents in respect of such Non-Option Awards, are intended to be exempt from the requirements of Section 409A under the short-term deferral exemption described in Section 1.409A-1(b)(4) of the Treasury Regulations, and the Plan (including this schedule) and applicable Award Certificate shall be interpreted and administered consistent with such intention with respect to the Non-Option Awards granted to US Award Holders and any Dividend Equivalents in respect of such Non-Option Awards.
- 3.4 Notwithstanding anything in the Plan or any Award Certificate to the contrary, each US Award Holder shall be solely responsible for the tax consequences of Deferred Annual Bonus Awards granted to them under the Plan, and in no event shall any Group Company or affiliate of a Group Company have any responsibility or liability if a Deferred Annual Bonus Award does not comply with or qualify for an exemption from Section 409A. Although the Company intends to administer the Plan in respect of US Award Holders to prevent a violation of Section 409A, the Company does not represent or warrant that the Plan or any Deferred Annual Bonus Award complies with or qualifies for an exemption from Section 409A.