

GRAINGER PLC

THE GRAINGER 2017 LONG-TERM INCENTIVE PLAN

Approved by Shareholders of the Company on 8 February 2017

Adopted by the Board of the Company on 8 February 2017

Amended by the Board on 5 November 2019 and approved by Shareholders of the Company
on 5 February 2020

Amended by the Committee on 6 November 2025 conditional on approval by Shareholders of
the Company on 4 February 2026

The Plan is a discretionary benefit offered by Grainger Group for the benefit of selected employees. Its main purpose is to increase the interest of the employees in Grainger's long term business goals and performance through share ownership. The Plan is an incentive for the employees' future performance and commitment to the goals of the Grainger Group.

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

The Plan was offered for the first time in 2017 and the remuneration committee of the board of Grainger shall have the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

The detailed rules of the Plan are set out overleaf.

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1. DEFINITIONS AND INTERPRETATION

1.1 In the Plan, unless the context otherwise requires:

"Award" means an Option or a Conditional Award;

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

"Committee" means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rule 12 (*Takeovers and other corporate events*), the remuneration committee of the Board as constituted immediately before such event occurs;

"Company" means Grainger plc (registered in England and Wales with registered number 00125575);

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

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

"Directors' Remuneration Policy" means the prevailing shareholder approved directors' remuneration policy that applies to the Company under Chapter 4 of Part 10 of the Companies Act 2006;

"Dividend Equivalent" means a benefit calculated by reference to dividends paid on Shares as described in Rule 3.4;

"Early Vesting Date" means either:

- (a) the later of:
 - (i) the date of cessation of employment or office of a Participant in the circumstances referred to in Rule 11.1 (*Good leavers*); and
 - (ii) early determination of any Performance Condition relating to such cessation; or
- (b) the date of the relevant event in Rule 12.1 (*General offers*) or Rule 12.2 (*Schemes of arrangement and winding up*) or the date of Vesting referred to in Rule 12.3 (*Demergers and similar events*);

"Exercise Period" means the period referred to in Rule 6.1 during which an Option may be exercised;

"Fair Processing Notice" the notice referring to the Plan, made available through the Company's intranet and/or the Company Secretary or any other officer of the Company, which sets out how personal data relating to Participants (or eligible employees) will be processed in connection with the Plan;

"FCA" means the Financial Conduct Authority;

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

"Group Member" means:

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

"Holding Period" means the period starting on the date on which an Award Vests and ending on the earliest of the dates specified in Rule 8.3 (*Expiry of Holding Period*) during which a Participant agrees not to sell, transfer, assign or dispose of his Net Vested Shares on terms agreed with the Committee in accordance with Rule 8 (*Holding Period*);

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

"Listing Rules" means the Listing Rules published by the FCA;

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

"Malus and Clawback Policy" means the Grainger Malus and Clawback Policy (as amended from time to time) and **"Malus"** and **"Clawback"** will be understood accordingly;

"Net Vested Shares" means the Vested Shares acquired or received by a Participant on or following the Vesting of a Conditional Award, or on the exercise of an Option during the Holding Period, less: (a) a number of Shares that have an aggregate market value on the date of Vesting (in the case of Conditional Awards) or exercise (in the case of Options) equal to the Participant's Tax Liability due and arising on the Vesting or exercise of the Award, or (b) if the Vested Shares are sold to satisfy the Participant's Tax Liability due on the Vesting or exercise of an Award, such number of Vested Shares so sold;

"Normal Vesting Date" means the date on which an Award Vests under Rule 5.1 (*Timing of Vesting: Normal Vesting Date*);

"Option" means a conditional right to acquire Shares which is designated as an option by the Committee under Rule 3.2 (*Type of Award*);

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

"Participant" means a person who holds (and/or held, as relevant in the case of Rule 8) an Award including his personal representatives;

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

"Performance Condition" means a condition related to performance which is specified by the Committee under Rule 3.1 (*Terms of grant*);

"Plan" means the Grainger 2017 Long-Term Incentive Plan as amended from time to time;

"Rule" means a rule of the Plan;

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

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

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

"**Vest**" means:

- (a) in relation to an Option, it becoming exercisable;
- (b) in relation to a Conditional Award, a Participant becoming entitled to have Shares transferred to him (or his nominee) subject to the Rules;

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

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

- 1.2 Any reference in the Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.
- 1.3 Where the context admits, a reference to the singular includes the plural and a reference to the male includes the female.
- 1.4 Expressions in italics, headings and any footnotes are for guidance only and do not form part of the Plan.

2. ELIGIBILITY

An individual is eligible to be granted an Award only if he is an employee (including an executive director) of a Participating Company.

3. GRANT OF AWARDS

3.1 Terms of grant

Subject to Rule 3.6 (*Timing of grant*), Rule 3.8 (*Approvals and consents*) and Rule 4 (*Limits*), the Committee may resolve to grant an Award on:

- (a) the terms set out in the Plan; and
- (b) such additional terms if any (whether a Performance Condition and/or any other terms) as the Committee may specify

to any person who is eligible to be granted an Award under Rule 2 (*Eligibility*) **provided that** Awards granted to an executive director of the Company shall be subject to any requirements set out in the Directors' Remuneration Policy.

3.2 Type of Award

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

3.3 Method of grant

An Award shall be granted as follows:

- (a) by deed executed by the Company;
- (b) if an Award is an Option, the Committee shall determine the Option Price (if any) on or before the Grant Date provided that the Committee may reduce or waive such Option Price on or prior to the exercise of the Option.

3.4 Dividend Equivalent at the discretion of the Committee

The Committee may decide on or before the grant of an Award that a Participant (or his nominee) shall be entitled to receive a benefit determined by reference to the value of the dividends that would have been paid on the Vested Shares in respect of dividend record dates occurring during the period between the Grant Date and the date of Vesting (or, where an Award is structured as an Option and the Committee determines the Shares under that Option shall be subject to a Holding Period, the date of expiry of the Holding Period or if earlier the date of exercise of the Option).

The Committee shall decide the basis on which the value of such dividends shall be calculated. The Committee may also decide at this time whether the Dividend Equivalent shall be provided to the Participant in the form of cash and/or Shares. The Dividend Equivalent shall be provided in accordance with Rule 6.3 (*Delivery of Dividend Equivalent*).

3.5 Malus and Clawback

Awards will be subject to the Malus and Clawback Policy, unless decided otherwise by the Committee. If there is any discrepancy between the Malus and Clawback Policy and the Plan, the Malus and Clawback Policy will prevail.

3.6 Method of satisfying Awards

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

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

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

3.7 Timing of grant

Subject to Rule 3.8 (*Approvals and consents*), an Award may only be granted:

- (a) within the period of 6 weeks commencing on the date on which the Plan is approved by shareholders;
- (b) within the period of 6 weeks beginning with the dealing day after the date on which the Company announces its results for any period; or
- (c) at any other time when the Committee considers that circumstances are sufficiently exceptional to justify its grant

but an Award may not be granted after 4 February 2036 (that is, the expiry of the period of 10 years beginning with the date on which the Plan was most recently approved by the shareholders at the 2026 AGM).

3.8 Approvals and consents

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

3.9 Non-transferability and bankruptcy

An Award granted to any person:

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

4. LIMITS

4.1 10 per cent. in 10 years limit

An Award shall not be granted in any calendar year if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 4.2) in the period of 10 calendar years ending with that calendar year under the Plan and under any other **employee share plan** (i.e. all types of employee share plans: discretionary, all-employee or otherwise) adopted by the Company to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

4.2 Meaning of "allocated"

For the purpose of Rules 4.1:

- (a) Shares are allocated:
 - (i) when an option, award or other contractual right to acquire unissued Shares or treasury Shares is granted;
 - (ii) where Shares are issued or treasury Shares are transferred otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Shares are issued or treasury Shares transferred;
- (b) any Shares which have been issued or which may be issued (or any Shares transferred out of treasury or which may be transferred out of treasury) to any trustees to satisfy the exercise of any option, award or other contractual right granted under any employee share plan shall count as allocated unless they are already treated as allocated under this Rule.

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

For the purposes of Rule 4.2:

- (a) where:
 - (i) any option, award or other contractual right to acquire unissued Shares or treasury Shares is released or lapses (whether in whole or in part); or

(ii) after the grant of an option, award or other contractual right the Committee determines that:

(aa) it shall be satisfied wholly or partly by the payment of cash on its vesting or exercise; or

(bb) it shall be satisfied wholly or partly by the transfer of existing Shares (other than Shares transferred out of treasury)

the unissued Shares or treasury Shares which consequently cease to be subject to the option, award or other contractual right shall not count as allocated; and

(b) the number of Shares allocated in respect of an option, award or other contractual right shall be such number as the Board shall reasonably determine from time to time.

4.4 Changes to investor guidelines

Treasury Shares shall cease to count as allocated Shares for the purposes of Rule 4.2 if institutional investor guidelines cease to require such Shares to be so counted.

4.5 Individual limit

The maximum total market value of Shares (calculated as set out in this Rule) over which Awards may be granted to any executive director of the Company during any financial year of the Company is such percentage of their salary (as defined in this Rule) as is specified in the Directors' Remuneration Policy.

For the purpose of this Rule 4.5:

(i) an executive directors' **salary** shall be taken to be his base salary (excluding benefits in kind), expressed as an annual rate payable by the Participating Companies to him on the Grant Date (or such earlier date as the Committee shall determine). Where a payment of salary is made in a currency other than sterling, the payment shall be treated as equal to the equivalent amount of sterling determined by using any rate of exchange which the Committee may reasonably select; and

(ii) the **market value** of the Shares over which an Award is to be granted shall be taken to be an amount equal to the closing middle-market quotation of such Shares (as derived from the London Stock Exchange Daily Official List) on the dealing day before the Grant Date or, if the Committee so determines, the average of the closing middle market quotations during a period determined by the Committee not exceeding the period of 5 dealing days ending with the dealing day before the Grant Date provided such dealing day(s) do not fall within any period when dealings in Shares are prohibited under the Company's share dealing code.

4.6 Effect of limits

Any Award shall be limited and take effect so that the limits in this Rule 4 are complied with.

4.7 Restriction on use of unissued Shares and treasury Shares

No Shares may be issued or treasury Shares transferred to satisfy the exercise of any Option or the Vesting of any Conditional Award to the extent that such issue or transfer would cause the number of Shares allocated (as defined in Rule 4.2 and adjusted under Rule 4.3) to exceed the limit in Rule 4.1 (*10 per cent. in 10 years limit*) except where there is a variation of share capital

of the Company which results in the number of Shares so allocated exceeding such limit solely by virtue of that variation.

5. VESTING OF AWARDS

5.1 Timing of Vesting: Normal Vesting Date

Subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), an Award shall Vest on the later of:

- (a) if any Performance Condition and any other condition has been imposed on the Vesting of the Award, the date on which the Committee determines whether or not such Performance Condition or other condition has been wholly or partly satisfied; and
- (b) the third anniversary of the Grant Date

except where earlier Vesting occurs on an Early Vesting Date under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*).

5.2 Extent of Vesting

An Award shall only Vest to the extent:

- (a) subject to paragraph (b) below, that any Performance Condition is satisfied on the Normal Vesting Date or, if appropriate, the Early Vesting Date;
- (b) that the Committee is satisfied that the level of Vesting indicated by any applicable Performance Condition under paragraph (a) above is appropriate in all the circumstances and the Committee may reduce the level of Vesting to such lesser amount (including to zero) as it in its absolute discretion considers to be appropriate having regard to such factors as it considers relevant, including the performance of the Company, any individual or business (and such reduction may impact one or more Participants and not all Participants);
- (c) that any other term imposed on the Vesting of the Award permits;
- (d) in relation to Vesting before the Normal Vesting Date, in accordance with Rules 11.4 and 12.5 (*Reduction in number of Vested Shares*); and
- (e) that any operation of the Malus and Clawback Policy may permit.

Where, under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*), an Award would (subject to the satisfaction of any Performance Condition) Vest before the end of the full period over which performance would be measured under any Performance Condition then, unless provided to the contrary by the Performance Condition, the extent to which the Performance Condition has been satisfied in such circumstances shall be determined by the Committee on such reasonable basis as it decides.

5.3 Restrictions on Vesting: regulatory and tax issues

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

- (a) the Vesting of the Award, and the issue or transfer of Shares after such Vesting, would be lawful in the relevant jurisdictions for that Award and in compliance with the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;

- (b) if, on the Vesting of the Award, a Tax Liability would arise by virtue of such Vesting and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 5.5 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the Vesting of the Award; and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

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

5.4 Tax liability before Vesting

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

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

5.5 Payment of Tax Liability

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

6. CONSEQUENCES OF VESTING

6.1 Options

An Option shall, subject to Rule 7.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercisable in respect of Vested Shares during the period commencing on the date on which an Option Vests and expiring on the eve of the 10th anniversary of the Award's Grant Date (or such shorter period specified by the Committee on or prior to grant of the Award) subject to it lapsing earlier under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*).

If an Option is not exercised during the last 30 days of the Exercise Period because of any regulatory restrictions referred to in Rule 7.1(a), the Committee may extend the period during which the Option may be exercised so as to permit the Option to be exercised as soon as those restrictions cease to apply for such limited period as the Committee determines appropriate.

6.2 Conditional Awards

On or as soon as reasonably practicable after the Vesting of a Conditional Award, the Board shall, subject to Rule 5.5 (*Payment of Tax Liability*) and any arrangement made under Rules 5.3(b) and 5.3(c) (*Restrictions on Vesting: regulatory and tax issues*), transfer or procure the transfer of the Vested Shares to the Participant (or a nominee for him).

6.3 Delivery of Dividend Equivalent

If the Committee decided under Rule 3.4 (*Dividend Equivalent at the discretion of the Committee*) that a Participant would be entitled to the Dividend Equivalent in relation to Shares under their Award but did not decide at that time whether the Dividend Equivalent would be provided in the form of cash and/or Shares, then the Committee shall make such decision on or before the transfer or issue of the Vested Shares to the Participant.

The Committee, acting fairly and reasonably, may decide to exclude the value of all or part of a special dividend or any other dividend from the amount of the Dividend Equivalent.

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

- (a) in the case of a cash payment, shall be subject to such deductions (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable; or
- (b) in the case of a provision of Shares, Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 5.5 (*Payment of Tax Liability*) shall apply as if such provision was the Vesting of an Award.

7. EXERCISE OF OPTIONS

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

An Option which has Vested may not be exercised unless the following conditions are satisfied:

- (a) the exercise of the Option and the issue or transfer of Shares after such exercise would be lawful in all relevant jurisdictions and in compliance with the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;
- (b) if, on the exercise of the Option, a Tax Liability would arise by virtue of such exercise and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 7.4 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member shall receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the exercise of the Option; and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 7.1, references to Group Member include any former Group Member.

7.2 Exercise in whole or part

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

7.3 Method of exercise

The exercise of any Option shall be effected in the form and manner prescribed by the Board. Unless the Board, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to Rule 7.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), take effect only when the Company receives it, together with payment of any relevant Option Price (or, if the Board so permits, an undertaking to pay that amount).

7.4 Payment of Tax Liability

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

7.5 Transfer or allotment timetable

As soon as reasonably practicable after an Option has been exercised, the Company shall, subject to Rule 7.4 (*Payment of Tax Liability*) and any arrangement made under Rules 7.1(b) and 7.1(c) (*Restrictions on exercise: regulatory and tax issues*), transfer or procure the transfer to him (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Shares in respect of which the Option has been exercised.

7.6 Lapse of Options

An Option which has become exercisable shall lapse at the end of the Exercise Period to the extent it has not been exercised unless it lapses earlier under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*).

8. HOLDING PERIOD

8.1 Restrictions on the sale, transfer, disposal and assignment of Net Vested Shares

This Rule 8 shall apply to executive directors (including former) of the Company and to such other individuals as the Committee determines appropriate.

Subject to Rule 8.2 (*Permitted transfers*) below, each Participant to which this Rule applies agrees:

- (a) to hold his Net Vested Shares during the Holding Period applying to those Shares in accordance with such terms and conditions that the Committee may impose and determine from time to time, which may include his Net Vested Shares being held by a nominee appointed by the Company, on his behalf;
- (b) not to sell, transfer, assign or dispose of any interest in his Net Vested Shares until the expiry of the Holding Period applying to those Shares;
- (c) that if he acquires any further Shares by virtue of his holding of Net Vested Shares during the Holding Period those newly acquired Shares shall also be held subject to the terms of

this Rule 8 as they apply to the original Net Vested Shares until the expiry of the Holding Period unless the Committee, in its discretion, determines otherwise; and

- (d) to enter into any other document required by the Committee from time to time to give effect to the restrictions under this Rule 8.

For the avoidance of any doubt:

- (i) Net Vested Shares shall not be subject to any risk of forfeiture during the Holding Period; and
- (ii) Any Shares delivered under Rule 6.3 (*Delivery of Dividend Equivalent*) shall not be subject to the Holding Period.

8.2 Permitted transfers during the Holding Period

- (a) Subject to the prior approval of the Committee, the Participant may transfer or assign some or all of his Net Vested Shares to his spouse or civil partner or to the Participant's personal pension plan (the "**transferee**") during the Holding Period provided that the transferee has agreed to comply with the terms of this Rule 8, any other terms and conditions imposed by the Committee and the decisions of the Committee and the transferee agrees not to sell, transfer, assign or dispose of those Net Vested Shares until the expiry of the Holding Period.
- (b) The Committee may, in its discretion, allow a Participant to sell, transfer, assign or dispose of some or all of his Net Vested Shares before the end of the Holding Period, subject to any additional terms and conditions that the Committee may specify.

8.3 Expiry of the Holding Period

The Holding Period shall expire on the earliest of:

- (a) the second anniversary of the date on which the Award Vested;
- (b) the date of an event under Rule 12.1 or 12.2 (excluding an internal reorganisation under Rule 12.4);
- (c) the death of the Participant; and
- (d) such other date determined by the Committee, in its discretion.

Net Vested Shares shall cease to be subject to any restrictions under this Rule 8 once the Holding Period has expired. As soon as reasonably practicable following the expiry of the Holding Period the Board shall transfer or procure the transfer of the legal title for the Net Vested Shares and any documents of title relating to those Net Vested Shares to the Participant or his nominee as relevant.

8.4 Interaction with the Company's share ownership guidelines

Nothing in this Rule 8 shall remove and/or reduce any additional requirements that may apply to the Participant under the Company's share ownership guidelines from time to time.

9. CASH ALTERNATIVE

9.1 Committee determination

Where an Option has been exercised or where a Conditional Award Vests and Vested Shares have not yet been allotted or transferred to the Participant (or his nominee), the Committee may determine that, in substitution for his right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of his right to acquire those Shares), he shall be paid by way of additional employment income a sum equal to the cash equivalent (as defined in Rule 9.3) of that number of Shares in accordance with the following provisions of this Rule 9.

9.2 Limitation on the use of this Rule

Rule 9.1 shall not apply in relation to an Award made to a Participant in any jurisdiction where the presence of Rule 9.1 would cause:

- (a) the grant of the Award to be unlawful or for it to fall outside any applicable securities law exclusion or exemption; or
- (b) adverse tax or social security contribution consequences for the Participant or any Group Member as determined by the Board.

9.3 Cash equivalent

For the purpose of this Rule 9, the cash equivalent of a Share is:

- (a) in the case of a Conditional Award, the market value of a Share on the day when the Award Vests;
- (b) in the case of an Option, the market value of a Share on the day when the Option is exercised reduced by the Option Price in respect of that Share.

Market value on any day shall be determined as follows:

- (a) if on the day of Vesting or exercise, Shares are quoted in the London Stock Exchange Daily Official List, the closing middle-market quotation of a Share, as derived from that List, on that day; or
- (b) if Shares are not so quoted, such value of a Share as the Committee reasonably determines.

9.4 Payment of cash equivalent

As soon as reasonably practicable after the Committee has determined under Rule 9.1 that a Participant shall be paid a sum in substitution for his right to acquire any number of Vested Shares:

- (a) the Company shall pay to him or procure the payment to him of that sum in cash; and
- (b) if he has already paid the Company for those Shares, the Company shall return to him the amount so paid by him.

9.5 Share alternative

If the Committee so decides, the whole or any part of the sum payable under Rule 9.4 shall, instead of being paid to the Participant in cash, be applied on his behalf:

- (a) in subscribing for Shares at a price equal to the market value by reference to which the cash equivalent is calculated; or

- (b) in purchasing such Shares; or
- (c) partly in one way and partly in the other

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

9.6 Deductions

There shall be deducted from any payment under this Rule 9 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable.

10. LAPSE OF AWARDS

An Award shall lapse:

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

11. LEAVERS

11.1 Good leavers before the Normal Vesting Date

If a Participant ceases to be a director or employee of a Group Member before the Normal Vesting Date by reason of:

- (a) death,
- (b) injury or disability evidenced to the satisfaction of the Committee;
- (c) retirement with the agreement of his employer;
- (d) redundancy (within the meaning of the Employment Rights Act 1996 or applicable local law equivalent);
- (e) his office or employment being with either a company which ceases to be a Group Member or relating to a business or part of a business which is transferred to a person who is not a Group Member; or
- (f) for any other reason, if the Committee so decides

then

- (i) subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), Rule 11.6 (*Death following cessation of employment*) and Rule 12 (*Takeovers and other corporate events*), his Award shall Vest on the Normal Vesting Date and Rule 11.4 (*Leavers: reduction in number of Vested Shares*) shall apply; unless
- (ii) the Committee decides in exceptional circumstances that, subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), his Award shall Vest on the Early Vesting Date and Rule 11.4 (*Leavers: reduction in number of Vested Shares*) shall apply; and

an Award in the form of an Option which Vests under (i) or (ii) above may, subject to Rule 7.1 (*Restrictions on exercise*) and Rule 12 (*Takeovers and other corporate events*), be exercised in

respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

11.2 Good leavers on or after the Normal Vesting Date

If a Participant who holds an Option ceases to be a director or employee of a Group Member on or after the Normal Vesting Date for a reason specified in Rule 11.1 then, subject to Rule 7.1 (*Restrictions on exercise*) and Rule 12 (*Takeovers and other corporate events*), that Option shall continue to be exercisable for a period of 12 months commencing on the date of cessation (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

11.3 Cessation of employment in other circumstances

If a Participant ceases to be a director or employee of a Group Member for any reason other than those specified in Rules 11.1 (*Good leavers*) then any Award held by him shall lapse immediately on such cessation.

11.4 Leavers: reduction in number of Vested Shares

Where an Award Vests on or after a Participant ceasing to be a director or employee of a Group Member, the Committee shall determine the number of Vested Shares of that Award by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award; and
- (b) applying a pro rata reduction to the number of Shares determined under Rule 11.4(a) based on the period of time after the Grant Date and ending on the date of cessation relative to the period of 3 years

unless the Committee, acting fairly and reasonably, decides that the reduction in the number of Vested Shares under Rule 11.4(b) is inappropriate in any particular case when it shall increase the number of Vested Shares to such higher number as it decides provided that number does not exceed the number of Shares determined under Rule 11.4(a).

If an Award Vests under any of Rules 12.1 to 12.3 when the holder of that Award has ceased to be a director or employee of a Group Member then this Rule 11.4 shall take precedence over Rule 12.5.

11.5 Meaning of ceasing employment

A Participant shall not be treated for the purposes of this Rule 11 as ceasing to be a director or employee of a Group Member until such time as he is no longer a director or employee of any Group Member. If any Participant ceases to be such a director or employee before the Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work while not acting as an employee or director.

The reason for the termination of office or employment of a Participant shall be determined by reference to Rules 11.1 to 11.5 regardless of whether such termination was lawful or unlawful.

11.6 Death following cessation of employment

If a Participant dies following cessation of employment in circumstances where his Award did not lapse but it has not Vested by the time of his death, it shall Vest immediately on his death to the extent determined by reference to the time of cessation in accordance with Rule 11.1(ii).

An Award in the form of an Option that Vests under this Rule may, subject to Rule 7.1 (*Restrictions on exercise*) and Rule 12 (*Takeovers and other corporate events*), be exercised in respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

12. TAKEOVERS AND OTHER CORPORATE EVENTS

12.1 General offers

In the event that any person (or group of persons acting in concert):

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

then, subject to Rule 12.4 (*Internal reorganisations*), the following provisions shall apply:

- (i) subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), all Awards shall Vest on the date of such event if they have not then Vested and Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply; and
- (ii) any Option may, subject to Rule 7.1 (*Restrictions on exercise*), be exercised within one month of the date of such event (or, if shorter, until the expiry of the Exercise Period), but to the extent that an Option is not exercised within that period, that Option shall (regardless of any other provision of the Plan) lapse at the end of that period.

12.2 Schemes of arrangement and winding up

In the event that:

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

all Awards shall, subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 12.4 (*Internal reorganisations*), Vest on the date of such event if they have not then Vested and Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

If an event as described in this Rule occurs then an Option may, subject to Rule 7.1 (*Restrictions on exercise*) and Rule 12.4 (*Internal reorganisations*), be exercised within one month of such event (or, if shorter, until the expiry of the Exercise Period), but to the extent that the Option is not exercised within that period, it shall (regardless of any other provision of the Plan) lapse at the end of that period.

12.3 Demergers and similar events

If a demerger, special dividend or other similar event (the “**Relevant Event**”) is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may, at its discretion, decide that the following provisions shall apply:

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 11 (*Leavers*), his Award Vests and, if relevant, his Option may, subject to Rule 7.6 (*Lapse of Options*) and Rule 11 (*Leavers*), be exercised on such terms as the Committee may determine and during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine and shall (regardless of any other provision of the Plan) lapse at the end of that period to the extent unexercised;
- (b) if an Award Vests, or an Option is exercised, conditional upon the Relevant Event and such event does not occur then the conditional Vesting or exercise shall not be effective and the Award shall continue to subsist; and
- (c) if the Committee decides that an Award Vests under this Rule 12.3 then the date of that Vesting shall be the Early Vesting Date and the provisions of Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

12.4 Internal reorganisations

In the event that:

- (a) a company (the “**Acquiring Company**”) is expected to obtain Control of the Company as a result of an offer referred to in Rule 12.1 (*General offers*) or a compromise or arrangement referred to in Rule 12.2(a) (*Schemes of arrangement and winding up*); and
- (b) at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company

then the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 12.1 or Rule 12.2 but shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award (including as to any Performance Condition) it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules will apply to any new award granted under this Rule 12.4 as if references to Shares were references to shares over which the new award is granted and references to the Company were references to the company whose shares are subject to the new award.

12.5 Corporate events: reduction in number of Vested Shares

If an Award Vests under any of Rules 12.1 to 12.3, the Committee shall determine the number of Vested Shares of that Award by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award; and
- (b) subject to Rule 11.4 (*Leavers: reduction in number of Vested Shares*), by applying a pro rata reduction to the number of Shares determined under Rule 12.5(a) based on the period of time after the Grant Date and ending on the Early Vesting Date relative to the period of 3 years

unless the Committee, acting fairly and reasonably, decides that the reduction in the number of Vested Shares under Rule 12.5(b) is inappropriate in any particular case when it shall increase the number of Vested Shares to such higher number as it decides provided that number does not exceed the number of Shares determined under Rule 12.5(a).

13. ADJUSTMENT OF AWARDS

13.1 General rule

In the event of:

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

the Committee may make such adjustments as it considers appropriate under Rule 13.2 (*Method of adjustment*).

13.2 Method of adjustment

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

- (a) the number of Shares comprised in an Award;
- (b) subject to Rule 13.3 (*Adjustment below nominal value*), the Option Price; and
- (c) where any Award has Vested or Option has been exercised but no Shares have been transferred or allotted after such Vesting or exercise, the number of Shares which may be so transferred or allotted and (if relevant) the price at which they may be acquired.

13.3 Adjustment below nominal value

An adjustment under Rule 13.2 may have the effect of reducing the price at which Shares may be subscribed for on the exercise of an Option to less than their nominal value, but only if and to the extent that the Board is authorised:

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

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

14. MALUS AND CLAWBACK

Notwithstanding anything else in these rules, the Committee may, at its absolute discretion, decide that malus adjustment and/or clawback provisions be applied to an Award, as set out in the Malus and Clawback Policy.

15. ALTERATIONS

15.1 General rule on alterations

Except as described in Rule 15.2 (*Shareholder approval*) and Rule 15.4 (*Alterations to disadvantage of Participants*) the Committee may at any time alter the Plan or the terms of any Award.

15.2 Shareholder approval

Except as described in Rule 15.3 (*Exceptions to shareholder approval*), no alteration to the advantage of an individual to whom an Award has been or may be granted shall be made under Rule 15.1 to the provisions concerning:

- (a) eligibility;
- (b) the individual limits on participation;
- (c) the overall limits on the issue of Shares or the transfer of treasury Shares;
- (d) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan;
- (e) the adjustments that may be made in the event of any variation of capital; and
- (f) the terms of this Rule 15.2

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

15.3 Exceptions to shareholder approval

Rule 15.2 (*Shareholder approval*) shall not apply to:

- (a) any minor alteration 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 Participants or any Group Member; or
- (b) any alteration relating to the Performance Condition made under Rule 15.5.

15.4 Alterations to disadvantage of Participants

No alteration to the material disadvantage of Participants (other than a change to any Performance Condition) shall be made under Rule 15.1 unless:

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

15.5 Alterations to a Performance Condition

The Committee may amend any Performance Condition without prior shareholder approval if:

- (a) an event has occurred which causes the Committee reasonably to consider that it would be appropriate to amend the Performance Condition;
- (b) in the case of Award granted to executive directors (including former) of the Company, the altered Performance Condition will, in the reasonable opinion of the Committee, be not materially less difficult to satisfy than the unaltered Performance Condition would have been but for the event in question; and
- (c) the Committee shall act fairly and reasonably in making the alteration.

16. MISCELLANEOUS

16.1 Employment

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

16.2 Disputes

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

16.3 Exercise of powers and discretions

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

16.4 Share rights

All Shares allotted under the Plan shall rank equally in all respects with Shares then in issue except for any rights attaching to such Shares by reference to a record date before the date of the allotment.

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

16.5 Notices

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

- (a) by personal delivery or by internal or ordinary post, in the case of a company to the company secretary at its registered office or to such other address as may from time to

time be notified to an individual, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment;

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

Where a notice or document is sent to an eligible employee or Participant by ordinary or internal post, it shall be treated as being received 72 hours after it was put into the post properly addressed and, where relevant, stamped. In all other cases, the notice or document shall be treated as received when it is given. A notice or document sent to the Company shall only be effective once it is received by the Company, unless otherwise agreed by the Company. All notices and documents given or sent to the Company shall be given or sent at the risk of the sender.

16.6 Third parties

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

16.7 Benefits not pensionable

Benefits provided under the Plan shall not be pensionable.

16.8 Data protection

Any personal data relating to a Participant (or eligible employee) that is used in connection with the Plan shall be processed in accordance with the Fair Processing Notice as from time to time amended. A copy of the current Fair Processing Notice will be available on the Company's intranet or on request by contacting the Company Secretary or any other officer of the Company.

16.9 Governing law

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

SCHEDULE 1

CASH CONDITIONAL AWARDS

The Rules of the Plan shall apply to a right (a “**Cash Conditional Award**”) to receive a cash sum granted or to be granted under this Schedule 1 as if it was a Conditional Award, except as set out in this Schedule 1. Where there is any conflict between the Rules and this Schedule 1, the terms of this Schedule 1 shall prevail.

1. The Committee may grant or procure the grant of a Cash Conditional Award.
2. Each Cash Conditional Award shall relate to a given number of notional Shares.
3. On the Vesting of the Cash Conditional Award the holder of that Award shall be entitled to a cash sum which shall be equal to the “**Cash Value**” of the notional Vested Shares, where the Cash Value of a notional Share is the market value of a Share on the date of Vesting of the Cash Conditional Award. For the purposes of this Schedule 1, the market value of a Share on any day shall be determined in accordance with Rule 9.3 (*Cash equivalent*).
4. The cash sum payable under paragraph 3 above shall be paid by the employer of the Participant as soon as practicable after the Vesting of the Cash Conditional Award, net of any deductions (on account of tax or similar liabilities) as may be required by law.
5. For the avoidance of doubt, a Cash Conditional Award shall not confer any right on the holder of such an Award to receive Shares or any interest in Shares