

CENTRICA PLC

RULES OF THE CENTRICA LONG TERM INCENTIVE PLAN 2015

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Centrica Long Term Incentive Plan 2015

1 Introduction

The Plan allows for the grant of Awards in the form of:

- Conditional Awards (i.e. rights to receive free Shares automatically to the extent the Award Vests);
- Options (i.e. Awards under which the Participant can acquire Shares, to the extent the Award Vests, at the Option Price (which may be zero) set when the Option is granted); or
- Forfeitable Shares (i.e. Awards under which the Participant receives free Shares on grant which are subject to a requirement that the Participant gives the Shares back to the extent the Award lapses).

Awards can be granted in lieu of bonus.

Awards Vest over a period set by the Committee for each Award and Vesting may be subject to Performance Conditions. Before Vesting, Awards will normally lapse if the Participant leaves employment.

Awards may be subject to malus and/or clawback as determined by the Committee on the Award Date. Where an Award is subject to clawback, the Shares received on the Vesting of an Award will become subject to a Holding Period during which clawback may be applied in specific circumstances.

This introduction does not form part of the rules.

2 Definitions

In these rules:

“Acquiring Company” means a person who has or obtains control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company;

“ADR” means an American Depositary Receipt being an authorised depositary security representing a number of Shares and being evidenced by an authorised depositary receipt;

“Assign” means to transfer, assign, grant any security interest over, hold on trust or otherwise dispose of;

“Award” means a right to acquire Shares which can take the form of a Conditional Award, Forfeitable Shares or an Option;

“Award Date” means the date on which an Award is granted by deed under rule 3.3;

“Bonus Deferral Award” means an Award which is granted to the Participant in lieu of bonus which might otherwise have been paid in cash and which is designated as such by the Committee under rule 3.3;

“Business Day” means a day on which the London Stock Exchange (or, if relevant and if the Committee determines, any stock exchange nominated by the Committee on which Shares are traded) is open for the transaction of business;

“Committee” means, subject to rule 11.5, the remuneration committee of the Company or a duly authorised person or group of persons;

“Company” means Centrica plc;

“Conditional Award” means a conditional right to acquire Shares granted under the Plan;

“Dealing Restrictions” means any restriction on dealing in securities imposed by regulation, statute, order, directive or any code adopted by the Company as varied from time to time;

“Directors’ Remuneration Policy” means the current approved directors’ remuneration policy of the Company approved under s439A of the Companies Act 2006;

“Dividend Equivalent” means an amount linked to dividends paid on Shares subject to the Award as set out in rule 7.3;

“Final Lapse Date” means the latest date on which an Option will lapse which will be set by the Committee under rule 3.3;

“Forfeitable Share Agreement” means the agreement relating to Forfeitable Shares referred to in rule 4.2;

“Forfeitable Shares” means Shares held in the name of, or for the benefit of, a Participant subject to the terms of the Forfeitable Share Agreement;

“Grantor” means the Company or any other entity which grants an Award under the Plan;

“Group” means:

- (i) the Company;
- (ii) its Subsidiaries from time to time; or
- (iii) any other company which is associated with the Company and is so designated by the Committee (for the avoidance of doubt, a company may be treated as an associated company for some purposes or in relation to some Participants but not in relation to others);

“Holding Period” means the period specified in rule 9.3;

“London Stock Exchange” means London Stock Exchange plc;

“Market Value” means, on any date, in relation to a Share:

- (i) the middle-market quotation of a Share (as derived from the London Stock Exchange Daily Official List) on that date; or
- (ii) the average of the middle market quotations of a Share over any period before that date determined by the Committee;

or the market value as determined by the Committee in such manner as it considers reasonable from time to time (for some or all purposes of the Plan);

“Normal Vesting Date” means the date or dates set for Vesting of an Award under rule 3.3;

“Option” means a right to acquire Shares which may be exercised and which is granted under the Plan;

“Option Price” means the amount (which may be zero) payable on the exercise of an Option set by the Committee under rule 3.3.9;

“Participant” means a person who has been granted Award or their personal representatives;

“Performance Condition” means any performance condition imposed under rule 3.3;

“Plan” means these rules known as “The Centrica Long Term Incentive Plan 2015”, as changed from time to time;

“Pro-Rating Period” has the meaning given to it in rule 8.3;

“Retained Shares” has the meaning given in rule 9.3.1;

“Share” means a fully paid ordinary share in the capital of the Company and, unless the context otherwise requires, includes ADRs;

“Subsidiary” means a company which is a subsidiary of the Company within the meaning of Section 1159 of the Companies Act 2006;

“Takeover” means:

- (i) when a general offer to acquire Shares made by a person (or a group of persons acting in concert) becomes wholly unconditional;
- (ii) when, under Section 895 of the Companies Act 2006 or equivalent procedure under local legislation, a court sanctions a compromise or arrangement in connection with the acquisition of Shares; or
- (iii) a person (or a group of persons acting in concert) obtaining control (within the meaning of Section 995 of the Income Tax Act 2007) of the Company in any other way;

“Termination Agreement” means an agreement entered into between a Participant and a member of the Group which sets out any terms and conditions relating to the termination of the Participant’s employment; and

“Vesting” means, subject to the rules:

- (i) in relation to an Option, the Option becoming exercisable;
- (ii) in relation to a Conditional Award, the Participant becoming entitled to have the Shares transferred to him; and
- (iii) in relation to Forfeitable Shares, the restrictions set out in the Forfeitable Share Agreement ceasing to have effect as described in rule 7.2.4.

3 Granting Awards

3.1 Eligibility

The Grantor may select any employee of a member of the Group to be granted an Award.

Unless permitted by the Directors’ Remuneration Policy, all Awards granted to people who are directors of the Company at the Award Date will be either:

3.1.1 Restricted Share Awards governed by Schedule 1; or

3.1.2 Bonus Deferral Awards.

Except in exceptional circumstances where the Committee decides otherwise, an Award (other than a Bonus Deferral Award) will not be made to an employee who has given or received notice terminating their employment.

Bonus Deferral Awards may be granted to any employee or former employee of a member of the Group.

3.2 Timing of Awards

Awards may only be granted within 42 days starting on any of the following:

- 3.2.1 the date of shareholder approval of the Plan;
- 3.2.2 the day after the announcement of the Company's results for any period;
- 3.2.3 the date of the Company's annual general meeting or any special general meeting;
- 3.2.4 any day on which the Committee resolves that exceptional circumstances exist which justify the grant of Awards;
- 3.2.5 any day on which changes to the legislation or regulations affecting share plans are announced, effected or made; or
- 3.2.6 if the granting of Awards during any period specified above is prevented by any Dealing Restrictions, the date on which it is no longer prevented.

No Awards may be granted after the 10th anniversary of the date on which the Company in general meeting approved the renewal of the Plan in 2022 or such earlier date as the Committee may specify.

3.3 Terms set at grant

When granting an Award the Committee will set the following terms:

- 3.3.1 the Award Date;
- 3.3.2 whether the Award will take the form of:
 - (i) a Conditional Award;
 - (ii) an Option;
 - (iii) Forfeitable Shares;or a combination of these;
- 3.3.3 whether the Award will be over Shares or ADRs;
- 3.3.4 whether the Award is a Bonus Deferral Award;
- 3.3.5 the number of Shares subject to the Award (subject to the limits in rule 5) which, in the case of a Bonus Deferral Award, will be linked to the amount of bonus which the Committee determines would otherwise have been paid to the Participant in cash;
- 3.3.6 the terms of any Performance Condition or other condition set under rule 3.4;
- 3.3.7 one or more Normal Vesting Dates and, if there is more than one, the proportion of the Award which can Vest on each one (or how that will be determined);

- 3.3.8 whether or not the Award carries a Dividend Equivalent and, if so, the manner in which the Dividend Equivalent will be determined;
- 3.3.9 in the case of an Option, the Option Price and the Final Lapse Date;
- 3.3.10 which, if any, of the Schedules to these rules will apply to the Award;
- 3.3.11 whether malus and/or clawback applies to the Award and, if so, the Holding Period; and
- 3.3.12 any other terms or conditions of the Award.

3.4 Performance Conditions

The Committee may decide that Vesting of an Award will be conditional:

- 3.4.1 on the satisfaction of one or more conditions set by the Committee on grant linked to the performance of the Company, the Participant and/or any member of the Group; and/or
- 3.4.2 any other condition set by the Committee,

which, in either case, may provide that the Award will lapse to the extent that it is not satisfied.

The Committee may change a Performance Condition in accordance with its terms or if anything happens which causes the Committee reasonably to consider it appropriate to do so. The Committee may waive or change any other condition in such manner as they see fit.

3.5 No payment for Awards

A Participant is not required to pay for the grant of an Award.

4 Documentation of Awards

4.1 Conditional Awards, Options and etc.

An Award (other than an Award of Forfeitable Shares) will be granted by deed and the Participant will be notified of the grant of the Award and the terms set under rule 3.3.

4.2 Forfeitable Shares

Where an Award takes the form of Forfeitable Shares, the Participant must enter into:

- 4.2.1 an agreement with the Grantor that, to the extent that the Award lapses under the Plan, the Shares are forfeited and he/she will immediately transfer his/her interest in them, for no consideration or nominal consideration, to any person (which may include the Company, where permitted) specified by the Grantor;
- 4.2.2 any elections required by the Committee, including elections under Part 7 of the Income Tax (Earnings and Pensions) Act 2003 and elections to transfer any liability, or agreements to pay social security contributions; and
- 4.2.3 any other documentation which the Committee considers necessary or desirable to give effect to the terms of the Award, including a power of attorney or blank stock transfer form.

If the Participant does not do so within a period specified by the Committee, the Award will lapse at the end of that period.

On or after the grant of an Award of Forfeitable Shares, the Grantor will procure that the relevant number of Shares is issued or transferred to the Participant or to another person to be held for the benefit of the Participant under the terms of the Plan. The share certificates or other documents of title relating to any Forfeitable Shares may be retained by the Grantor.

5 Limits

5.1 Individual limit

5.1.1 An Award must not be granted to an employee if it would, on the proposed Award Date, cause the Market Value of Shares subject to all Awards (other than Bonus Deferral Awards) granted in respect of that financial year under the Plan to exceed 400% of the relevant employee's annual basic salary from all members of the Group.

5.1.2 Subject to rule 5.6, the limit above may be exceeded if the Committee determines that exceptional circumstances make it desirable that Awards should be granted in excess of that limit.

5.1.3 “**Basic salary**” means gross base salary excluding benefits in kind expressed as an annual rate payable on the Award Date. Basic salary payable in a currency other than sterling will be converted into sterling by using any rate of exchange which the Committee may reasonably select.

5.1.4 This rule 5.1 does not apply to Bonus Deferral Awards.

5.2 Plan limits - 10 per cent

An Award must not be granted if the number of Shares committed to be issued under that Award exceeds 10 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or options or awards under any other employee share plan operated by the Company, granted in the previous 10 years.

5.3 Plan limits - 5 per cent

An Award must not be granted if the number of Shares committed to be issued under that Award exceeds 5 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the number of Shares which have been issued, or committed to be issued, to satisfy Awards under the Plan, or options or awards under any other discretionary employee share plan adopted by the Company, granted in the previous 10 years.

5.4 Scope of Plan limits

When calculating the limits in rules 5.2 and 5.3, Shares will be ignored:

5.4.1 where the right to acquire them is released or lapses; or

5.4.2 which are committed to be issued under any Dividend Equivalent.

As long as so required by the Investment Association, Shares transferred from treasury are counted as part of the ordinary share capital of the Company, and as Shares issued by the Company.

5.5 Awards in breach of limits

If the Grantor tries to grant an Award which is inconsistent with rule 5.1, 5.2 or 5.3, the Award will be limited and will take effect from the Award Date on a basis consistent with those rules.

5.6 Consistency with Directors' Remuneration Policy

Notwithstanding any other provision in these rules or the terms of any Award, the Grantor or any other person will not issue or transfer any Shares or make any payment which would be inconsistent with the Directors' Remuneration Policy and in breach of Chapter 4A of Part 10 of the Companies Act 2006. To the extent that the terms of any Award is so inconsistent, the Committee may, acting reasonably and in good faith, adjust (retrospectively or otherwise) the number or class of Shares or securities comprised in an Award and/or impose additional conditions on the Vesting of such Award as they consider appropriate.

6 Before Vesting

6.1 Voting and dividends

6.1.1 A Participant is not entitled to vote, to receive dividends or to have any other rights of a shareholder in respect of Shares subject to an Option or a Conditional Award until the Shares are issued or transferred to the Participant.

6.1.2 Except to the extent specified in the Forfeitable Share Agreement, a Participant will have all rights of a shareholder in respect of Forfeitable Shares until the Award lapses.

6.2 Transfer

A Participant may not Assign an Award or any rights in respect of it. If they do, whether voluntarily or involuntarily, then it will immediately lapse. This rule 6.2 does not apply:

6.2.1 to the transmission of an Award on the death of a Participant to their personal representatives;

6.2.2 to the assignment of an Award where the Committee considers that the Participant is no longer in a position to manage their own affairs by reason of ill-health; or

6.2.3 in any other circumstances if the Committee agrees.

6.3 Adjustment of Awards

6.3.1 If there is:

(i) a variation in the equity share capital of the Company, including a capitalisation or rights issue, sub-division, consolidation or reduction of share capital;

(ii) a demerger (in whatever form) or exempt distribution by virtue of Section 1075 of the Corporation Tax Act 2010;

- (iii) a special dividend or distribution; or
- (iv) any other corporate event which might affect the current or future value of any Award,

the Committee may adjust the number or class of Shares or securities subject to the Award and, in the case of an Option, the Option Price.

6.3.2 Subject to the Forfeitable Share Agreement, a Participant will have the same rights as any other shareholders in respect of Forfeitable Shares where rule 6.3.1 applies. Any shares, securities or rights allotted to a Participant as a result of such an event will be:

- (i) treated as if they were awarded to the Participant under the Plan in the same way and at the same time as the Forfeitable Shares in respect of which the rights were conferred; and
- (ii) subject to the rules of the Plan and the terms of the Forfeitable Share Agreement.

7 Vesting

7.1 Timing and extent of Vesting

Subject to the rest of these rules, an Award will Vest on the later of the following:

- 7.1.1** the Normal Vesting Date(s); and
- 7.1.2** the date on which the Committee determines the extent to which any Performance Condition or any other condition is satisfied (which it will do as soon as reasonably practicable after the end of the period over which it is tested).

The Award will only Vest to the extent that any Performance Condition or other condition is satisfied.

7.2 Consequences of Vesting

- 7.2.1** If an Award takes the form of a Conditional Award, within 30 days of Vesting (or as soon as reasonably practicable after that), the Grantor will arrange (subject to the rest of this rule 7 and rules 8, 9 and 13.6) for the issue or transfer to, or to the order of, the Participant of the number of Shares in respect of which the Award has Vested.
- 7.2.2** A Participant can only exercise an Option to the extent it has Vested. To exercise it, they must give notice in the prescribed form to the Grantor and, in the case of an Option, pay or make arrangements satisfactory to the Grantor for the payment of the Option Price (if any).
- 7.2.3** Subject to the rest of this rule 7 and rules 8, 9 and 13.6, the Grantor will arrange for the number of Shares in respect of which the Option has been exercised to be issued or transferred to the Participant within 30 days of the date on which the Option is exercised or as soon as reasonably practicable after that. An Option will lapse on the Final Exercise Date if it does not lapse earlier under these rules.
- 7.2.4** To the extent an Award of Forfeitable Shares Vests, the restrictions referred to in rule 4 and contained in the Forfeitable Share Agreement will cease to apply.

7.3 Dividend Equivalent

If the Committee determines that an Award carries a Dividend Equivalent, the Participant will be entitled to an amount equal to the total amount of dividends paid between the Award Date and the date of Vesting on the number of Shares in respect of which the Award is Vesting or has Vested. The Committee may decide that the Dividend Equivalent will be determined on the basis that dividends are notionally reinvested in Shares from the date of payment.

The Dividend Equivalent will be paid in additional Shares unless the Committee decides that it will be paid in cash.

7.4 Cash and Share alternative

The Committee may decide to satisfy a Conditional Award or an Option by paying an equivalent amount in cash, subject to rule 7.6. For Options, the cash amount must be equal to the amount by which the Market Value of the Shares in respect of which the Option is exercised exceeds the Option Price on the date of exercise (the “**Option Gain**”). The Committee may also decide to satisfy an Option by paying the Option Gain in Shares (rounded down to the nearest whole Share). An Award may be granted on the basis that it will be satisfied in this manner.

In respect of Awards which consist of a right to receive a cash amount, the Committee may decide instead to satisfy the Vesting of such Awards by the delivery of Shares, subject to rule 7.6. The number of Shares will be calculated by reference to the Market Value of the Shares on the date of Vesting for Conditional Awards and the date of exercise for Options.

7.5 Delay in Vesting or issue or transfer of Shares

If Vesting or the issue or transfer of Shares in satisfaction of an Award is prevented by any Dealing Restriction, the period for Vesting, issue or transfer will be delayed for that Award until the Dealing Restriction no longer prevents it.

7.6 Tax

The Participant will be responsible for all taxes, social security contributions and other liabilities arising out of or in connection with an Award or acquisition, holding or disposal of Shares.

Where any member of the Group or any person other than the Participant has any obligation to pay or account for such a liability, the Company will normally arrange for sufficient Shares to be sold on the Participant's behalf to produce net proceeds equal to the amount of the liability. The proceeds will be paid to the member of the Group or other person.

However, the Grantor may, at any time, decide that all or part of such liability will instead be met in any one or more of the following ways:

- 7.6.1 allowing the Participant to fund the liability directly;
- 7.6.2 deducting the amount of the liability from any cash payment due under the Plan;
- 7.6.3 reducing the number of Shares to which the Participant would otherwise be entitled; and/or

- 7.6.4 deducting the amount from any payment of salary, bonus or other payment due to the Participant.

If required to do so by the Grantor, the Participant will enter into any tax elections (including, without limitation, under section 430 or 431 of the Income Tax (Earnings & Pensions Act 2003)) in relation to Shares received under the Plan.

7.7 Automatic exercise of Options

- 7.7.1 To the extent that:

- (i) an Option has not been exercised by the close of the Business Day before the date on which it lapses;
- (ii) a Dealing Restriction prevents the Participant from exercising it on that day; and
- (iii) it is in the money on that day (see rule 7.7.3 below),

the Company will, unless the Committee decides otherwise, treat it as having been exercised on that day.

- 7.7.2 If the Company treats the Option as having been exercised, the Company will either:

- (i) arrange for sufficient of the Shares resulting from the exercise to be sold on behalf of the Participant to raise an amount (after costs of sale) equal to the Option Price and any tax or social security required to be withheld under rule 7.6; or
- (ii) make such other arrangements as the Committee deems appropriate for the payment of the Option Price and any tax and social security.

The remaining Shares subject to the Option will be issued or transferred as set out in rule 7.2.2.

- 7.7.3 An Option is “**in the money**” on any day, if the Committee estimates that, if all the Shares resulting from exercise were sold on that day, the sale proceeds (after making a reasonable allowance for any costs of sale) would be more than the Option Price.

- 7.7.4 The Participant may give notice, at any time before the day referred to in rule 7.7.1, requesting that this rule 7.7 not apply to the Option.

- 7.7.5 No member of the Group will be liable for any loss a Participant may suffer as a result of the application of or failure to apply this rule 7.7.

8 Leaving employment

8.1 General rule

Except in the case of a Bonus Deferral Award and subject to rule 8.2, an Award will lapse on leaving if the Participant leaves employment before Vesting.

8.2 Exceptions

If a Participant leaves employment for one of the following reasons, his/her Award will not lapse but will continue in effect. The reasons are:

- 8.2.1 death;
- 8.2.2 ill-health, injury or disability, as established to the satisfaction of the Company;
- 8.2.3 retirement with the agreement of the Participant's employer;
- 8.2.4 the Participant's employing company ceasing to be a member of the Group;
- 8.2.5 a transfer of the undertaking, or the part of the undertaking, in which the Participant works to a person which is not a member of the Group;
- 8.2.6 redundancy which will, unless the Committee decides otherwise, have the meaning given to it by the Employment Rights Act 1996; or
- 8.2.7 any other reason, if the Committee so decides within 30 days of the Participant leaving.

8.3 Extent of Vesting

Where rule 8.2 applies:

- 8.3.1 the Award will Vest to the extent any Performance Condition is satisfied on the date of Vesting; and
- 8.3.2 unless the Committee decides otherwise, the number of Shares in respect of which it would otherwise Vest will be reduced by the proportion which the number of calendar days from the date they left to the end of the Pro-Rating Period bears to the number of calendar days in the Pro-Rating Period.

The "**Pro-Rating Period**" means the period over which any Performance Condition is tested or, if there is no Performance Condition, the period from the Award Date to the Normal Vesting Date.

8.4 Early Vesting

If rule 8.2 applies, the Committee may decide that the Participant's Award will Vest, to the extent described in rule 8.3, on the date of leaving or a later date determined by it.

The Committee will determine the extent to which any Performance Condition is satisfied in accordance with its terms or if they do not provide for it, in such manner as it considers reasonable.

8.5 Treatment of Options after leaving or death

If the holder of an Option leaves employment for one of the reasons in rule 8.2, their Option will be exercisable for 12 months from the date on which it Vests, after which it will lapse but the Committee may extend that period (but not beyond the Final Lapse Date).

8.6 Termination Agreement

Where rule 8.2 or 8.4 applies and the Participant has entered into a Termination Agreement in connection with leaving employment, subject to rule 9, Awards will not Vest until the Participant has complied with, or is released from their obligations under, that Termination Agreement if the Committee so determines.

8.7 General

- 8.7.1 A Participant will only be treated as “**leaving employment**” when they are no longer an employee or director of any member of the Group.
- 8.7.2 The Committee may decide that a Participant will be treated as leaving employment on the date they give or are given notice terminating their office or employment.

9 Malus and clawback

9.1 Application of malus and clawback

The Committee may, at the Award Date, decide that an Award will be subject to malus and/or clawback. Where the Committee so decides, it may determine to apply malus and/or clawback as set out in rules 9.2 to 9.7 below, in their absolute discretion and notwithstanding any other rule of the Plan, if, as determined by the Committee, one or more of the following circumstances has arisen:

- 9.1.1 the Participant has engaged in fraud or gross misconduct (including breach of policy); and/or
- 9.1.2 the Participant has displayed inappropriate management behaviour which fails to reflect the governance and values of the business; and/or
- 9.1.3 the results of the Company and/or any relevant business or businesses for any period have been restated or subsequently appear materially inaccurate or misleading; and/or
- 9.1.4 an Award was granted, or performance was assessed, based on an error or inaccurate or misleading information; and/or
- 9.1.5 events or the behaviour of a Participant have led to censure of the Company or a member of the Group by a regulatory authority; and/or
- 9.1.6 any action or omission of the Participant has caused significant detrimental reputational damage to the Group or any member of the Group; and/or
- 9.1.7 there has been a material failure of risk management; and/or
- 9.1.8 corporate failure.

9.2 Malus

Where the Committee determines that malus will be applied in respect of an Award before Vesting (or, in the case of an Option, exercise), the Award will lapse wholly or in part as the Committee determines. Alternatively, the Committee may determine that the Vesting of the Award (or, in the case of an Option, the exercise) will be deferred on such terms as it considers appropriate.

However, the Committee may not apply malus in respect of an unexercised Option after the end of the Holding Period.

9.3 Determination of Holding Period

- 9.3.1 Where an Award is subject to clawback, the Committee may determine that any Shares issued or transferred to a Participant on Vesting (or, in the case of Options,

exercise), after deductions for income tax and social security under rule 7.6, (the **"Retained Shares"**), shall be subject to a Holding Period during which the Participant agrees to restrict their dealings with the Retained Shares in accordance with rules 9.3 to 9.7.

- 9.3.2 Notwithstanding rule 7.2, the Committee will arrange for the Retained Shares to be issued or transferred to a designated nominee (the **"Trustee"**) to be held on trust absolutely for the Participant during the Holding Period on such administrative terms as the Committee determines.
- 9.3.3 During the Holding Period, the Participant will be entitled to vote and have all other rights of a shareholder in respect of the Retained Shares held by the Trustee. Any dividends paid on the Retained Shares shall not be subject to the Holding Period and will be paid to the Participant or as they direct.
- 9.3.4 For the avoidance of doubt, to the extent that the Participant exercises an Option after the end of the Holding Period, the resulting Shares will not be subject to the Holding Period and will not be transferred to the Trustee.

9.4 Terms applicable to Retained Shares

The Participant agrees with the Company that they shall not Assign their beneficial interest in the Retained Shares, instruct the Trustee to Assign the Retained Shares or call for the legal title to the Retained Shares during the Holding Period, except:

- 9.4.1 in the case of the sale of sufficient entitlements nil-paid in relation to a Share to take up the balance of the entitlements under a rights issue or similar event; or
- 9.4.2 in respect of Shares disposed of under rule 7.6; or
- 9.4.3 where clawback applies to the Retained Shares.

9.5 Clawback

During the Holding Period, irrespective of whether or not the Participant is still employed by any member of the Group, the Committee may, in accordance with rule 9.1 above, determine that clawback shall apply and, when clawback applies, the Participant agrees with the Company that, as specified by the Committee:

- 9.5.1 they will direct the Trustee to transfer the Retained Shares to the recipient(s) specified by the Committee for no consideration; and/or
- 9.5.2 they will direct the Trustee to pay all or part of any dividends paid in respect of the Retained Shares to the recipient(s) specified by the Committee.

For the avoidance of doubt, the Participant shall bear any liability to taxation which arises as a result of the clawback of the Retained Shares in accordance with this rule 9.5 and the recipient(s) specified by the Committee under this rule 9.5 may include the Company, where permitted.

9.6 Duration of the Holding Period

The Holding Period will begin on the date on which an Award Vests and will end on the earliest of the following:

- 9.6.1 the second anniversary of the Normal Vesting Date or such other date specified by the Committee on the Award Date;

- 9.6.2 the date of a Takeover;
- 9.6.3 the death of the Participant; or
- 9.6.4 if the Committee so decides, on the date of any of the corporate events described in rule 11.1 (Takeovers).

At the end of the Holding Period, rules 9.4 (Terms applicable to Retained Shares) and 9.5 (Clawback) will cease to apply to the Retained Shares and the Participant agrees that they will direct the Trustee to transfer the Retained Shares to the Participant or an alternative recipient(s) specified by the Participant.

9.7 General

- 9.7.1 For the avoidance of doubt, the circumstances described in rule 9.1 can arise even if the Participant was not responsible for the matter in question or if it happened before or after the Vesting or grant of the Award or before the Participant's employment with any Member of the Group.
- 9.7.2 Malus and/or clawback may be applied differently for different Participants or for different Awards held by the same Participant in relation to the same matter.
- 9.7.3 The Committee will notify the Participant of any application of malus and/or clawback.
- 9.7.4 Without limiting rule 13.1, the Participant will not be entitled to any compensation in respect of any application of malus and/or clawback.

10 Vesting in connection with relocation

If a Participant relocates to another jurisdiction before an Award Vests and, as a result:

- (i) the Participant or any member of the Group is or may be subject to less favourable tax or social security treatment; or
- (ii) the Vesting, exercise or satisfaction of the Award is or may be subject to any regulatory restriction, approval or consent,

the Committee may decide that the Award will Vest on such earlier date or dates and subject to such additional conditions as it may determine – including the retention of any Shares acquired on Vesting. In the case of an Option the Committee may change the period during which it can be exercised or impose additional conditions upon the exercise.

11 Takeovers and other corporate events

11.1 Takeovers

- 11.1.1 Unless exchanged under rule 11.4, all Awards will Vest on a Takeover to the extent described in rule 11.2.
- 11.1.2 If the Company is or may be affected by:
 - (i) any demerger, delisting, distribution (other than an ordinary dividend) or other transaction which, in the opinion of the Committee, might affect the current or future value of any Award; or

- (ii) any reverse takeover (not within rule 11.1.1 above), merger by way of a dual listed company or other significant corporate event, as determined by the Committee,

the Committee may allow an Award to Vest to the extent specified in rule 11.2.

11.2 Extent of Vesting

Where rule 11.1 applies, an Award will Vest on the date of the event:

- 11.2.1** to the extent any Performance Condition is satisfied on the date of Vesting; and
- 11.2.2** unless the Committee decides otherwise, the number of Shares in respect of which Awards Vest will be reduced by the proportion which the number of calendar days from the date of Vesting to the end of the Pro-Rating Period bears to the number of calendar days in the Pro-Rating Period.

The Committee will determine the extent to which any Performance Condition is satisfied in accordance with its terms or, if the terms do not set out how the determination is to be done, in such manner as it considers reasonable.

11.3 Exercise period for Options

Subject to any other lapse provisions under the Plan, Options will lapse one month after a Takeover to the extent not exercised or exchanged.

11.4 Exchange of Awards

An Award will not Vest under rule 11.1.1 but will be exchanged to the extent that:

- 11.4.1** an offer to exchange the Award is made and accepted by a Participant; or
- 11.4.2** the Committee, with the consent of the Acquiring Company, decides before the Takeover that the Award will be automatically exchanged.

Where an Award is exchanged, the Participant will be granted a new award in exchange for an existing Award. The new Award:

- 11.4.3** must confer a right to acquire shares in the Acquiring Company or another body corporate determined by the Acquiring Company;
- 11.4.4** must:
 - (i) be over shares with a Market Value on the date of exchange which is, so far as is practicable, the same as the Market Value of the Shares subject to the original Award at that time (and, in the case of an Option, must have an aggregate Option Price which is, so far as is practicable, the same); or
 - (ii) subject to rule 11.4.6, have a fair value on the date of exchange, as determined by the Committee on such basis as it considers reasonable, which is, so far as is practicable, the same as that of the original Award;
- 11.4.5** will be treated as having been acquired at the same time as the existing Award and, subject to rule 11.4.6, will Vest in the same manner and at the same time and be subject to the same Retention Period;
- 11.4.6** must:

- (i) be subject to a Performance Condition which is, so far as possible, equivalent to any Performance Condition applying to the existing Award; or
- (ii) not be subject to any Performance Condition but be in respect of the number of shares which is equivalent to the number of Shares comprised in the existing Award which would have Vested under rule 11.2;

11.4.7 subject to these rules, will Vest as described in rule 7;

11.4.8 will be subject to such other terms as the Committee considers appropriate in all the circumstances; and

11.4.9 will be governed by the Plan, excluding rule 12.2, as if references to Shares were references to the shares over which the new award is granted and references to the Company were references to the Acquiring Company or the body corporate determined under rule 11.4.3 above.

11.5 Composition of the Committee

In this rule 11, “**Committee**” means those people who were members of the remuneration committee of the Company immediately before the event by virtue of which it applies.

12 Changing the Plan

12.1 Committee’s powers

Except as described in the rest of this rule 12, the Committee may at any time change the Plan (including the terms of any Award already granted) in any way.

12.2 Shareholder approval

12.2.1 Except as described in rule 12.2.2, the Company in a general meeting must approve in advance by ordinary resolution any proposed change to the Plan to the advantage of present or future Participants, which relates to:

- (i) eligibility;
- (ii) the limits on the number of Shares which may be issued under the Plan;
- (iii) the individual limit for each Participant under the Plan;
- (iv) the basis for determining a Participant's entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) if there is a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital; or
- (v) the terms of this rule 12.2.1.

12.2.2 The Committee can change the Plan and need not obtain the approval of the Company in general meeting for any changes to a Performance Condition or other condition in accordance with rule 3.4 or for minor changes:

- (i) to benefit the administration of the Plan;
- (ii) to comply with or take account of the provisions of any proposed or existing legislation;

- (iii) to take account of any changes to legislation; or
- (iv) to obtain or maintain favourable tax, exchange control or regulatory treatment of the Company, any Subsidiary or any present or future Participant.

12.2.3 The Committee may, without obtaining the approval of the Company in general meeting, establish further plans (by way of schedules to the rules or otherwise) based on the rules, but modified to take account of local tax, exchange control or securities law in non-UK territories. However, any Shares made available under such plans are treated as counting against any limits on individual or overall participation in the Plan under rule 5.

12.3 Notice

The Committee is not required to give Participants notice of any changes.

13 General

13.1 Terms of employment

- 13.1.1** This rule 13.1 applies during an Employee's employment and after the termination of an Employee's employment, whether or not the termination is lawful.
- 13.1.2** Nothing in the rules or the operation of the Plan forms part of the contract of employment of an Employee. The rights and obligations arising from the employment relationship between the Employee and their employer are separate from, and are not affected by, the Plan. Participation in the Plan does not create any right to, or expectation of, continued employment.
- 13.1.3** No Employee has a right to participate in the Plan. Participation in the Plan or the grant of Awards on a particular basis in any year does not create any right to or expectation of participation in the Plan or the grant of Awards on the same basis, or at all, in any future year.
- 13.1.4** The terms of the Plan do not entitle the Employee to the exercise of any discretion in his/her favour.
- 13.1.5** The Employee will have no claim or right of action in respect of any decision, omission or discretion, which may operate to the disadvantage of the Employee (including, without limitation, any application of malus and/or clawback under rule 9) even if it is unreasonable, irrational or might otherwise be regarded as being in breach of the duty of trust and confidence (and/or any other implied duty) between the Employee and their employer.
- 13.1.6** No Employee has any right to compensation for any loss in relation to the Plan, including any loss in relation to:
 - (i) any loss or reduction of rights or expectations under the Plan in any circumstances (including lawful or unlawful termination of employment);
 - (ii) any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; or
 - (iii) the operation, suspension, termination or amendment of the Plan.

13.2 Committee's decisions final and binding

The decision of the Committee on the interpretation of the Plan or in any dispute relating to an Award or matter relating to the Plan will be final and conclusive.

13.3 Documents sent to shareholders

The Company is not required to send to Participants copies of any documents or notices normally sent to the holders of its Shares.

13.4 Costs

The Company will pay the costs of introducing and administering the Plan. The Company may ask a Participant's employer or any other member of the Group to bear the costs in respect of an Award (including for example, any trading or other working costs) to that Participant.

13.5 Data protection

13.5.1 By participating in the Plan the Participant consents to the holding and processing of personal information provided by the Participant to any member of the Group, trustee or third-party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to:

- (i) administering and maintaining Participant records;
- (ii) providing information to Members of the Group, trustees of any employee benefit trust, registrars, brokers or third-party administrators of the Plan;
- (iii) providing information to future purchasers or merger partners of the Company, the Participant's employing company, or the business in which the Participant works; and
- (iv) transferring information about the Participant to a country or territory that may not provide the same statutory protection for the information as the Participant's home country.

13.5.2 The Participant is entitled, on payment of a fee, to a copy of the personal information held about him/her and if anything is inaccurate the Participant has the right to have it corrected.

13.5.3 The basis for any processing of personal information about the Participant under the EU's General Data Protection Regulation (2016/679) ("**GDPR**") (or any successor laws, including its incorporation into UK law as the UK GDPR) is set out in the Centrica Group Employee, Apprentice, Contractor and Ex-Employee Privacy Notice ("**Privacy Notice**") which is available on the Company's intranet site or by request to the Company's share plan administrators and is not the consent given under rule 13.5.1. The Privacy Notice also contains details about how the Participant's personal information is processed and the Participant's rights in relation to that information. The Participant has a right to review the Privacy Notice.

13.6 Consents

All allotments, issues and transfers of Shares will be subject to any necessary consents under any relevant enactments or regulations for the time being in force in any relevant

country. The Participant is responsible for complying with any requirements they need to fulfil in order to obtain or avoid the necessity for any such consent.

13.7 Share rights

Shares issued to satisfy Awards under the Plan will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment. Where Shares are transferred to a Participant, including a transfer out of treasury, the Participant will be entitled to all rights attaching to the Shares by reference to a record date on or after the transfer date. The Participant will not be entitled to rights before that date.

13.8 Listing

If and so long as the Shares are listed and traded on a public market, the Company will apply for listing of any Shares issued under the Plan as soon as practicable.

13.9 Notices

13.9.1 Any information or notice to a person who is or will be eligible to be a Participant under or in connection with the Plan may be posted, or sent by electronic means, in such manner to such address as the Company considers appropriate, including publication on any intranet.

13.9.2 Any information or notice to the Company or other duly appointed agent under or in connection with the Plan may be sent by post or transmitted to it at its registered office or such other place, and by such other means, as the Committee or duly appointed agent may decide and notify Participants.

13.9.3 Notices sent by post will be deemed to have been given on the second day after the date of posting. However, notices sent by or to a Participant who is working overseas will be deemed to have been given on the seventh day after the date of posting. Notices sent by electronic means, in the absence of evidence to the contrary, will be deemed to have been received on the day after sending.

13.10 Governing law and jurisdiction

English law governs the Plan and all Awards and their construction. The English courts have exclusive jurisdiction in respect of disputes arising under or in connection with the Plan or any Award.

SCHEDULE 1

Restricted Shares

This Schedule applies if an Award (other than a Bonus Deferral Award) is granted to a person who is or is expected to be a director of the Company on the Award Date (an “**Executive Director**”) or if the Committee decides, under rule 3.3, that it will apply to an Award.

An Award to which this Schedule applies is called a “**Restricted Share Award**”.

A Restricted Share Award is governed by the rules but the following will apply:

- 1 A Restricted Share Award must not be granted to an Executive Director if it would, on the proposed Award Date, cause the Market Value of Shares subject to all Awards (other than Bonus Deferral Awards) granted to the Executive Director in respect of that financial year to exceed 150% of their annual basic salary from all members of the Group.
- 2 For the purposes of paragraph 1, “**basic salary**” means gross base salary excluding benefits in kind expressed as an annual rate payable on the Award Date. Basic salary payable in a currency other than sterling will be converted into sterling by using any rate of exchange which the Committee may reasonably select.
- 3 The Normal Vesting Date for a Restricted Share Award will be the third anniversary of the Award Date.
- 4 Malus and clawback will apply to the Award.
- 5 The Holding Period will end on the second anniversary of the Normal Vesting Date or any earlier date specified in rules 9.6.2 to 9.6.4.
- 6 The only Performance Condition applicable to a Restricted Share Award will be the “**Underpin**” set out in paragraph 7 below.
- 7 Without limiting rule 9 (malus & clawback) of the Plan, the Committee may reduce the number of Shares in respect of which the Restricted Share Award Vests (including to zero) if it considers that the outcome is not a fair and accurate reflection of performance, taking into account:
 - (a) the Company’s overall performance, including financial and non-financial performance;
 - (b) the Participant’s personal performance;
 - (c) any material risk or regulatory failures identified; and/or
 - (d) such other factors as the Committee may consider appropriate, including but not limited to share price performance.

Financial performance will include elements such as revenue, profitability, shareholder experience and return on capital. Non-financial performance will include a range of operational and strategic measures critical to the Company’s long-term sustainable success.