

Rules of The Sage Group plc

2017 Share Option Plan

Adopted by the board of directors of The Sage Group plc on 25 July 2017

Amended by the remuneration committee of the board of directors of The Sage Group plc on 24 April 2018

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THE SAGE GROUP PLC 2017 SHARE OPTION PLAN

1 DEFINITIONS AND INTERPRETATION

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

“Approval Date”	the date on which the Plan is approved by the shareholders of the Company in general meeting;
“Board”	subject to rule 14.12, the board of the Company or any duly authorised committee of the board;
“Code”	the United States of America’s Internal Revenue Code of 1986, as amended from time to time;
“Company”	The Sage Group plc registered in England and Wales under number 02231246;
“Control”	the meaning given by section 995 of the Income Tax Act 2007;
“Dealing Day”	any day on which the London Stock Exchange is open for business;
“Dealing Restrictions”	restrictions imposed by the Company’s share dealing code, the Listing Rules, the MAR or any applicable laws or regulations which impose restrictions on share dealing;
“Eligible Employee”	<ul style="list-style-type: none">(i) prior to the Approval Date, any employee of the Company or any of its Subsidiaries who is not a member of the Board; and(ii) on or after the Approval Date, any employee (including an Executive Director) of the Company or any of its Subsidiaries;
“Executive Director”	means an executive director of the Company;
“Exercise Price”	the price per Share payable to exercise an Option;
“Grant Date”	the date on which an Option is granted except that “Grant Date” will refer to the Original Grant Date in the case of a Rollover Option for the purposes of (i) the definition of “Pro-Rating Period” to the extent relevant taking into account rule 14 and (ii) rule 9, except where expressly indicated otherwise in that rule;
“Grant Period”	<p>the period of 42 days commencing on:</p> <ul style="list-style-type: none">(i) the date the Plan is adopted by the Board;(ii) the day on which Shares are admitted to trading on any stock exchange;(iii) the day on which the Plan is approved by shareholders of the Company in general meeting;(iv) the Dealing Day after the day on which the Company makes an announcement of its results for any period; or(v) any day on which the Board resolves that exceptional circumstances exist which justify the grant of Options; <p>unless the Company is restricted from granting Options under the Plan</p>

during the periods specified above as a result of any Dealing Restrictions, in which case the relevant Grant Period will be 42 days commencing on the Dealing Day after such Dealing Restrictions are lifted;

“Group Member”

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

“Internal Reorganisation”

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

“ISO”

an incentive stock option within the meaning given by section 422(b) of the Code;

“Leaves”

means ceasing to hold any office or employment with all members of the Group and **“Leaving”** will be understood accordingly;

“Listing Rules”

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

“Malus and Clawback Policy”

means The Sage Group plc Group Malus and Clawback Policy (as amended from time to time) and “Malus” and “Clawback” will have the meanings given in the Malus and Clawback Policy;

“MAR”

the EU Market Abuse Regulation 596/2014, as amended from time to time;

“Market Value”

the market value of a Share (as determined by the Board) provided that, in respect of an Option granted to a US Participant, such market value will not be less than the middle-market quotation for a Share (as derived from the London Stock Exchange’s Daily Official List) for the immediately preceding Dealing Day;

“Normal Vesting Date”

the date on which an Option will normally Vest, which will be the later of:

- (i) in relation to any Option which is subject to a Performance Condition, the date on which the Board determines that the Performance Condition has been satisfied in accordance with rule 9.1; and
- (ii) in relation to an Option subject to a Vesting Schedule, either (a) the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Option set out in the Vesting Schedule or (b) in respect of a Rollover Option, the vesting date or dates applicable to the Original Option prior to the Original Option being surrendered, forfeited, substituted or otherwise exchanged for the Rollover Option as a consequence of such predecessor entity being acquired by the Company; and
- (iii) in relation to an Option which is not subject to a Vesting Schedule, the third anniversary of the Grant Date (or such other date determined by the Board);

“Option”

a right to acquire Shares in accordance with the terms of the Plan;

“Original Grant Date”	the date on which the Original Option was granted by a predecessor entity prior to such option being surrendered, forfeited, substituted or otherwise exchanged for an Option as a consequence of such predecessor entity being acquired by the Company;
“Original Option”	an option granted by a predecessor entity which is surrendered, forfeited, substituted or otherwise exchanged for an Option as a consequence of such predecessor entity being acquired by the Company;
“Participant”	any person who holds an Option (or, in respect of rule 8, any person to whom Shares have been issued or transferred or to whom cash is paid in respect of an Option) or following his death, his personal representatives;
“Performance Condition”	a condition or conditions imposed under rule 3.1 which relates to performance;
“Performance Period”	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
“Plan”	The Sage Group plc 2017 Share Option Plan in its present form or as from time to time amended;
“Pro-Rating Period”	<ul style="list-style-type: none"> (i) in relation to an Option which is subject to a Performance Condition, the Performance Period; and (ii) in relation to an Option which is not subject to a Performance Condition, the period between the Grant Date and the Normal Vesting Date;
“Recruitment Option”	an Option granted to facilitate the recruitment of an Eligible Employee;
“Rollover Option”	an Option granted to an Eligible Employee in respect of options over shares in his employing company which he has surrendered, forfeited or exchanged, or have been substituted, as a consequence of that employing company being acquired by the Company in accordance with any definitive agreement on the direct or indirect acquisition of the shares in the employing company by the Company or otherwise in accordance with any relevant terms of any agreement made between the Company and the Eligible Employee’s employing company under which the Company obtains Control of that employing company;
“Share”	a fully paid ordinary share in the capital of the Company;
“Subsidiary”	the meaning given by section 1159 of the Companies Act 2006;
“Tax Liability”	any tax or social security contributions liability in connection with an Option for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
“Trustee”	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
“UKLA”	the United Kingdom Listing Authority (or other relevant authority);
“US Participant”	a Participant who is subject to the Code;

“Vest”

the point at which an Option (or a tranche of an Option) becomes capable of exercise in accordance with the rules of the Plan and **“Vesting”**, **Vested**” and **“Unvested”** will be construed accordingly; and

“Vesting Schedule”

in relation to an Option which is divided in tranches, the series of dates determined by the Board on which those tranches cease to be subject to forfeiture under rule 13.7.

1.2 References in the Plan to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

2 GRANT OF AWARDS

2.1 Subject to rules 2.2 and 15, during a Grant Period, the Board may grant an Option to an Eligible Employee in its discretion subject to the rules of the Plan and such additional terms as it may consider appropriate.

2.2 The grant of an Option will be subject to obtaining any approval or consent required by the UKLA, any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Options must be granted by deed and, as soon as practicable after the Grant Date, Participants must be notified of the terms of their Option including whether the Malus and Clawback Policy applies, any Performance Condition, whether the Option is subject to a Vesting Schedule and, in relation to an Award granted to an Executive Director, the relevant period for the purposes of rule 10 if not 12 months from Leaving.

2.4 No Option may be granted under the Plan after the tenth anniversary of the date on which the Plan was adopted by the Board.

2.5 If the Board grants an Award:

2.5.1 in error, or which is inconsistent with rule 2.1, it will be deemed never to have been granted and/or will immediately lapse; and/or

2.5.2 which is inconsistent with any of the provisions in this Plan, it will take effect only if and to the extent permissible under the Plan and will otherwise be deemed never to have been granted and/or will immediately lapse.

3 PERFORMANCE CONDITION

3.1 Unless the Board determines otherwise, the Vesting of Options will be subject to the satisfaction of a Performance Condition. Subject to rules 13 and 13.9, the Performance Condition will be measured over the Performance Period.

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

4 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

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

4.2 Subject to rule 14.1, an Option will lapse immediately if the Participant is declared bankrupt.

5 EXERCISE PRICE

5.1 The Board will determine on the Grant Date the Exercise Price applicable to an Option which, subject to rule 5.2, will not be less than the higher of:

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

5.1.2 in the case of an Option to subscribe for Shares, the nominal value of a Share.

5.2 The Board may, in its discretion, disregard rule 5.1.1 when it determines the Exercise Price for a Rollover Option. In determining the Exercise Price for a Rollover Option the Board may, in its discretion, take into account any inherent gain attributable to the option in respect of which the Rollover Option is being granted at the time such option is surrendered, forfeited, substituted or otherwise exchanged.

5.3 The Exercise Price applicable to an Option may be adjusted in accordance with rule 15.

6 INDIVIDUAL LIMITS

6.1 Subject to rule 6.3, no Eligible Employee may be granted an Option which would, at the time it is granted, cause the Market Value of all the Shares subject to Options granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 300% of his annual salary.

6.2 No Eligible Employee who is a US Participant may be granted an Option which would, at the time it is granted, cause the number of all the Shares subject to Options granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 50 million Shares.

6.3 No Recruitment Options or Rollover Options will be counted towards the limit set out in rule 6.1.

6.4 To the extent any Option exceeds the limits set out in rules 6.1 and/or 6.2, it will be scaled back accordingly in such manner as the Board may determine.

7 SOURCING OF SHARES

~~7.1 Prior to the Approval Date, Options may only be satisfied using existing Shares other than treasury Shares. On or after the Approval Date, Options may be satisfied using new issue Shares, treasury Shares and existing Shares other than treasury Shares (in such proportions as the Board may determine) and the limit set out in rule 7.2 will apply.~~
~~Prior to the Approval Date, Options may only be satisfied using existing Shares other than treasury Shares. On or after the Approval Date, Options may be satisfied using new issue Shares, treasury Shares and existing Shares other than treasury Shares (in such proportions as the Board may determine) and the limits set out in rules 7.2 and 7.3 will apply.~~

7.1

~~7.2 The Board must not grant an Option which would cause the number of Shares allocated under the Plan and under any other employee share plan adopted by the Company to exceed such number as represents ten per cent of the ordinary share capital of the Company in issue at that time.~~
~~The Board must not grant an Option which would cause the number of Shares allocated under the Plan and under any other employee share plan adopted by the Company to exceed such number as represents ten per cent of the ordinary share capital of the Company in issue at that time.~~

7.2

7.3 Subject to rules 7.4 and 7.5, in determining the limit set out in rule 7.2, Shares are treated as allocated if they have been newly issued by the Company or transferred from treasury to satisfy an option, award or other right granted during the ten years prior to the proposed Grant Date (an "award"), or in the case of such an award in respect of which Shares are yet to be delivered, if the Board intends that new Shares will be issued or that Shares from treasury will be transferred and for these purposes the number of Shares allocated includes:

7.3.1 Shares which have been issued or may be issued to any Trustee; and

7.3.2 Shares which have been or may be transferred from treasury to any Trustee

in either case for the Trustee to then transfer to satisfy an award (unless these Shares have already been counted under this rule). ~~The Board must not grant an Option which would cause the number of Shares allocated under the Plan and under any other discretionary employee share plan adopted by the Company to exceed such number as represents five per cent of the ordinary share capital of the Company in issue at that time.~~

7.4

7.4 The Board may determine that Shares transferred from treasury will cease to count as allocated for the purposes of rule 7.3 if guidelines published by institutional investor representative bodies no longer require such Shares to be counted.

~~Subject to rules 7.5 and 7.6, in determining the limits set out in rules 7.2 and 7.3 Shares are treated as allocated if they have been newly issued by the Company or transferred from treasury to satisfy an option, award or other right granted during the ten years prior to the proposed Grant Date (an "award"), or in the case of such an award in respect of which Shares are yet to be delivered, if the Board intends that new Shares will be issued or that Shares from treasury will be transferred and for these purposes the number of Shares allocated includes:~~

7.5 The number of Shares allocated does not include:

7.5.1 Shares issued or committed to be issued to satisfy awards granted prior to the admission of the Shares to trading on any stock exchange;

7.5.2 Shares in respect of which the right to acquire such Shares lapses or is released;

7.5.3 existing Shares other than treasury Shares which are transferred or to which an award relates; and

7.5.4 Shares allocated in respect of awards which are then satisfied in cash.

7.6 The Board may make such adjustments to the method of assessing the limit set out in rule 7.2 as it considers appropriate in the event of any variation of the Company's share capital.

7.7 Subject to any adjustment under rule 16, notwithstanding rule 7.2, no more than 50 million Shares may be used to satisfy Options granted to all US Participants.

7.8 If the Board purports to grant one or more Options which are inconsistent with the limit in this rule 7:

7.8.1 if only one Option is purported to be so granted, that Option will be limited and will take effect from the Grant Date over the maximum number of Shares permitted by the limit; and

7.8.2 if more than one Option is purported to be so granted, each such Option will be reduced as determined by the Board and will take effect from the Grant Date over the maximum number of Shares permitted by the limit.

~~7.4.1 Shares which have been issued or may be issued to any Trustee; and~~

~~7.4.2 Shares which have been or may be transferred from treasury to any Trustee~~

~~in either case for the Trustee to then transfer to satisfy an award (unless these Shares have already been counted under this rule).~~

~~7.5 The Board may determine that Shares transferred from treasury will cease to count as allocated for the purposes of rule 7.4 if guidelines published by institutional investor representative bodies no longer require such Shares to be counted.~~

~~7.6 The number of Shares allocated does not include:~~

~~7.6.1 Shares issued or committed to be issued to satisfy awards granted prior to the admission of the Shares to trading on any stock exchange;~~

~~7.6.2 Shares in respect of which the right to acquire such Shares lapses or is released;~~

~~7.6.3 existing Shares other than treasury Shares which are transferred or to which an award relates;
and~~

~~7.6.4 Shares allocated in respect of awards which are then satisfied in cash.~~

~~7.7 The Board may make such adjustments to the method of assessing the limits set out in rules 7.2 and 7.3 as it considers appropriate in the event of any variation of the Company's share capital.~~

~~7.8 Subject to any adjustment under rule 16, notwithstanding rules 7.2 and 7.3, no more than 50 million Shares may be used to satisfy Options granted to all US Participants.~~

~~7.9 If the Board purports to grant one or more Options which are inconsistent with the limits in this rule 7:~~

~~7.9.1 if only one Option is purported to be so granted, that Option will be limited and will take effect from the Grant Date over the maximum number of Shares permitted by those limits; and~~

~~7.9.2 if more than one Option is purported to be so granted, each such Option will be reduced as determined by the Board and will take effect from the Grant Date over the maximum number of Shares permitted by those limits.~~

8 REDUCTION FOR MALUS AND CLAWBACK

If there is any discrepancy between the Malus and Clawback Policy and the Plan, the Malus and Clawback Policy will prevail.

9 VESTING AND EXERCISE

9.1 As soon as practicable after the end of the Performance Period relating to an Option subject to a Performance Condition:

- (i) the Board will determine if and to what extent the Performance Condition has been satisfied; and/or
- (ii) an Award will Vest in accordance with any other factors that the Board decides are relevant.

To the extent that any Performance Condition has not been satisfied in full, the remainder of the Option that does not Vest will lapse immediately.

9.2 The Board may reduce (including to zero) the extent to which an Award will Vest if it considers the extent of Vesting would otherwise not be appropriate, including (but not limited to) when considering:

9.2.1 the wider performance of the Group;

9.2.2 the conduct, capability or performance of the Participant;

9.2.3 the experience of stakeholders;

9.2.4 any windfall gains;

9.2.5 the total value that would otherwise be received by the Participant compared to the maximum value that the Award was intended to deliver; or

9.2.6 any other reason at the discretion of the Board.

9.3 Subject to rules 13, 13.9 **and 15**, an Option will Vest:

9.3.1 On the Normal Vesting Date; or

9.3.2 other than in respect of any Rollover Options, if on the Normal Vesting Date (or on any other date on which an Option is due to Vest under rule 13 or 13.9) a Dealing Restriction applies to

the Option, on the date on which such Dealing Restriction lifts; and

an Option may then be exercised in accordance with rule 9.4 until the tenth anniversary of the Grant Date (or such earlier date as the Board may determine on or prior to the Grant Date of the Option), after which time it will lapse.

9.4 Subject to rule 11, an Option may be exercised in such form and manner as the Board may determine, provided that the exercise of an Option will not take effect until the Company receives:

9.4.1 notice of exercise of the Option; and

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

9.5 Notwithstanding any other rule of the Plan, to the extent any Option has not already lapsed or been exercised in full on the tenth anniversary of the Grant Date, it will lapse on such anniversary.

9.6 Subject to rules 11 and 12, where an Option has been exercised, the number of Shares in respect of which the Option has been exercised will be issued, transferred or paid (as applicable) to the Participant as soon as practicable thereafter.

9.7 If an investigation is ongoing which might lead to Malus and/or Clawback being triggered then, unless otherwise determined by the Board:

9.7.1 exercise (if any) will take effect after such investigation is concluded; and

9.7.2 if the Exercise Period would otherwise have ended, it will be extended as determined by the Board,

and any references to "Exercise Period" will be interpreted accordingly.

10 POST-TERMINATION RESTRICTION FOR EXECUTIVE DIRECTORS

10.1 Meaning of "Employed as an Executive"

For the purposes of this rule 10, "**Employed as an Executive**" means becoming employed or engaged, directly or indirectly, by a business as an Executive Director or an equivalent role, as the Board decides is appropriate, within 12 months from Leaving, or such other period as the Board decides:

10.1.1 at the time the Award is granted;

10.1.2 if the Participant has become an Executive Director since the Award Date, at the time of Leaving.

10.2 Application of rule

This rule 10 will apply to an Award where the Participant:

10.2.1 is an Executive Director;

10.2.2 Leaves for a reason as provided for under rule 13.4 before Vesting and the reason for Leaving is retirement, as agreed with your employer; and

10.2.3 becomes Employed as an Executive.

10.3 New employment commenced

If the Board decides, at any time, that the Participant became Employed as an Executive Director before or after settlement of the Award under rule 9:

10.3.1 if the Award has not yet been settled, it will immediately lapse in full unless the Board decides otherwise; or

10.3.2 if the Award has already been settled, the Board may recover such amount relating to the Award as the Board decides is appropriate. This amount may be recovered by using any other methods set out in the Malus and Clawback Policy to effect Clawback (as defined in that policy).

11 TAXATION AND REGULATORY ISSUES

11.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Option. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Option to realise an amount equal to the Tax Liability.

11.2 The Vesting and exercise of an Option and the issuance or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by the UKLA (or other relevant authority), any Dealing Restrictions or any other applicable laws or regulations (whether in the UK or overseas).

12 CASH EQUIVALENT AND NET SETTLEMENT

12.1 Subject to rule 12.6, at any time prior to the date on which an Option has been exercised, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Option relates, the Participant will instead receive a cash sum in accordance with rules 12.2 and 12.3 or a reduced number of Shares in accordance with rule 12.4.

12.2 The cash sum will be equal to the Market Value of that number of the Shares which would otherwise have been issued or transferred less the aggregate Exercise Price payable for those Shares and for these purposes Market Value will be determined on the date of exercise.

12.3 The cash sum will be paid to the Participant as soon as practicable after the exercise of the Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.

12.4 The number of Shares to which a Participant becomes entitled under this rule 12.4 will be such number of Shares as have a Market Value equal to the Market Value of that number of the Shares subject to the Option which would otherwise have been issued or transferred, less the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares. For these purposes, Market Value will be determined on the date of exercise and the issue and transfer of the Shares to which the Participant becomes entitled will be subject to the provisions of rule 11.

12.5 Any Exercise Price paid by a Participant will be refunded to him to the extent an Option he has exercised is settled by a net payment of cash or a net delivery of Shares in accordance with this rule 12.

12.6 The Board may determine that this rule 12 will not apply to an Option, or any part of it.

13 CESSATION OF EMPLOYMENT

- 13.1 If a Participant dies, an Unvested Option will Vest in accordance with rule 13.2 on the date of his death.
- 13.2 The number of Shares in respect of which an Unvested Option Vests pursuant to rule 13.1 will be determined by the Board in its discretion, taking into account:
- 13.2.1 the extent to which any Performance Condition has been satisfied; and
 - 13.2.2 subject to rule 13.6, if the Board determines it appropriate, the proportion of the Pro-Rating Period that has elapsed on the date of the Participant's death.

To the extent an Option does not Vest in full, the remainder of the Option that does not Vest will lapse immediately.

- 13.3 An Option (to the extent it has Vested in accordance with rule 9 or 13.2) may then be exercised, subject to rules 9.5 and 13.9, during the period of 12 months from the date of death (or such other period as the Board may determine), after which time it will lapse.
- 13.4 If a Participant Leaves prior to the Normal Vesting Date as a result of:
- 13.4.1 disability (within the meaning given by, in the case of any US Participant, section 22(e)(3) of the Code); or
 - 13.4.2 any other reason at the Board's discretion, except where a Participant (who is not a US Participant) is summarily dismissed,
- an Option will Vest in accordance with rule 13.5 as soon as practicable after the date of cessation (or on such other date no later than the Normal Vesting Date as the Board may determine).
- 13.5 The number of Shares in respect of which the Option Vests pursuant to rule 13.4 will be determined by the Board in its discretion, taking into account:

- 13.5.1 the extent to which any Performance Condition has been satisfied at the date of cessation of office or employment (or such other date as the Board determines); and
- 13.5.2 subject to rule 13.6, if the Board determines it appropriate, the proportion of the Pro-Rating Period that has elapsed on the date of cessation of office or employment.

To the extent that an Option does not Vest in full, the remainder of the Option that does not Vest will lapse immediately. The Option may then, subject to rules 9.5 and 13.9, be exercised for a period of:

- 13.5.3 in the case of a Rollover Option granted to a US Participant whose office or employment has ceased for a reason set out in rule 13.4.1, 12 months (or such longer period as the Board may determine);
- 13.5.4 in the case of a Rollover Option granted to a US Participant whose office or employment has ceased for a reason set out in rule 13.4.2, 3 months (or such longer period as the Board may determine); and
- 13.5.5 in the case of any other Participant, six months (or such other period as the Board may determine)

from the date of Vesting after which time it will lapse.

13.6 In respect of any Rollover Option, unless the Board has determined otherwise on the Grant Date:

13.6.1 references in this rule 13 to holding any office or employment with a Group Member will include the Participant providing services to a Group Member as a consultant; and

13.6.2 the Board will not take into account the factors referred to in rules 13.2.2 and 13.5.2 in determining the extent to which a Rollover Option Vests in accordance with rules 13.2 or 13.5 (as appropriate).

13.7 If a Participant Leaves prior to the Normal Vesting Date for any reason other than in accordance with rule 13.1 or 13.4, his Option will lapse at that time.

13.8 Subject to rule 13.3, where a Participant Leaves on or after the Normal Vesting Date, an Option (to the extent Vested) may, subject to rules 9.5 and 13.9, be exercised for a period of:

13.8.1 in the case of a Rollover Option granted to a US Participant whose office or employment has ceased for a reason set out in rule 13.4.1, 12 months (or such longer period as the Board may determine);

13.8.2 in the case of a Rollover Option granted to a US Participant whose office or employment has ceased for any other reason, 3 months (or such longer period as the Board may determine); and

13.8.3 in the case of any other Participant, six months (or such other period as the Board may determine)

from the date of cessation after which time it will lapse unless the Participant Leaves because of summary dismissal in circumstances where rule 13.8.2 does not apply, in which case his Option will lapse on the date of such cessation.

13.9 Where a Participant Leaves and the Option was granted subject to the Malus and Clawback Policy, these provisions will continue to apply to the Option unless and to the extent they are waived or varied by the Board.

14 CORPORATE EVENTS

14.1 Where any of the events described in rule 14.3 occur, then subject to rules 14.8 and 14.10, all Unvested Options will Vest in accordance with rule 14.2 at the time of such event unless they Vest earlier in accordance with rule 14.4. Subject to rules 14.8 to 14.10, all Options (whether or not they Vested under rule 14.1) will be, subject to rule 9.5, exercisable for one month from the date of the relevant event, after which time all Options will lapse.

14.2 Any Unvested Option will Vest pursuant to rule 14.1 to the extent determined by the Board, taking into account:

14.2.1 the extent to which any Performance Condition has, in the Board's opinion, been satisfied (based on all factors which the Board considers relevant); and

14.2.2 subject to rule 14.11, if the Board determines it appropriate, the proportion of the Pro-Rating Period that has elapsed on the date of the relevant event.

To the extent that an Option does not Vest, or is not exchanged in accordance with rules 14.8 and 14.10, it will lapse immediately.

14.3 The events referred to in rule 14.1 are:

14.3.1 General offer

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

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

and such offer becomes wholly unconditional.

14.3.2 Scheme of arrangement

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

14.4 Loss of corporation tax deduction

If the Board determines that there would be a loss of corporation tax deduction under Part 12 of the Corporation Tax Act 2009 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) if Options were to Vest on or after an event described in rule 14.3, then the Board may resolve that Options will Vest on an earlier date.

14.5 Winding-up

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

14.5.1 whether and to what extent Unvested Options will Vest taking into account:

- (i) the extent to which any Performance Condition has, in the Board's opinion, been satisfied (based on all factors which the Board considers relevant); and
- (ii) subject to rule 14.11, if the Board determines it appropriate, the proportion of the Pro-Rating Period that has elapsed on the date of the relevant event; and

14.5.2 the period of time during which any Vested Option may, subject to rule 9.5, be exercised, after which time it will lapse.

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

14.6 Malus and Clawback

If this rule 13 (Corporate Events) applies to an Option, the Committee may determine that the Malus and Clawback Policy will no longer apply to the Option or will be varied in its application to the Option.

In relation to any cash or Shares acquired prior to the relevant event, the Malus and Clawback Policy will continue to apply, with such amendments as the Committee determines.

14.7 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event and, in the

opinion of the Board, such event would affect the current or future value of Shares to a material extent and it would not be appropriate or practicable to adjust an Option in accordance with rule 15, the Board may determine that the following provisions will apply:

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

14.7.2 if an Option Vests under this rule 14.6, it will Vest taking into account:

- (i) the extent to which any Performance Condition has, in the Board's opinion, been satisfied (based on all factors which the Board considers relevant); and
- (ii) subject to rule 14.11, if the Board determines it appropriate, the proportion of the Pro-Rating Period that has elapsed on the date of the relevant event; and

14.7.3 to the extent that the Option does not Vest it will lapse immediately, unless the Board determines otherwise.

The Board will then also determine the period during which any Vested Option may, subject to rule 9.5, be exercised, after which time it will lapse.

14.8 Exchange – Unvested Options

An Unvested Option will not Vest under rule 14.1 but will be exchanged on the terms set out in rule 14.10 to the extent that:

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

14.8.2 there is an Internal Reorganisation, unless the Board determines that an Option should Vest under rule 14.1; or

14.8.3 the Board decides (before the relevant event) that an Existing Option will be exchanged automatically.

14.9 Exchange – Vested Options

To the extent that the circumstances described in either of rules 14.8.1 and 14.8.2 apply, a Vested Option will, if the Board so determines, not lapse under rule 14.1 but will be exchanged on the terms set out in rule 14.10.

14.10 Exchange terms

If this rule 14.10 applies, the Existing Option will not Vest but will be exchanged in consideration of the grant of a new award which, in the opinion of the Board, is equivalent to the Existing Option, but relates to shares in a different company (whether the acquiring company or a different company).

14.11 Rollover Options

Unless the Board has determined otherwise on the Grant Date, the Board will not take into account the factors referred to in rules 14.2.2, 13.5.1(ii) and 13.6.2(ii) in determining the extent to which a Rollover Option Vests in accordance with this rule 13.9.

14.12 Meaning of Board

Any reference to the Board in this rule 13.9 means the members of the Board immediately prior to the relevant event.

15 ROLLOVER OPTIONS

- 15.1 Notwithstanding any other provisions in this Plan, to the extent that the rules of the Plan result in the terms of a Rollover Option being advantageous or disadvantageous to the Participant compared to the terms of the Original Option in respect of which that Rollover Option was granted, the terms of that Original Option will apply to the Rollover Option in lieu of any conflicting term under this Plan.
- 15.2 Subject to rule 10.2, notwithstanding any other provisions in this Plan, Shares issued or delivered upon exercise of Rollover Options will be freely tradable, saleable and transferrable.
- 15.3 Notwithstanding any other provisions in this Plan, no term of this Plan or any Rollover Options relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan (with Schedule 2) under section 422 of the Code or, without the consent of the Participant, to disqualify any Participant's ISO under section 422 of the Code.
- 15.4 Notwithstanding any other provision of this Plan outside of rule 14, the "notwithstanding any other provisions in this Plan" that commences rule 14.1 through rule 14.4 will trump any language of similar nature or import in any other language of the Plan outside of this rule 14 or other Schedule.

16 ADJUSTMENTS

- 16.1 The number of Shares subject to an Option and/or the Exercise Price applicable to an Option and/or the limit on the maximum number of Shares set out in rule 7.87 may be adjusted in such manner as the Board determines, in the event of:
- 16.1.1 any variation of the share capital of the Company; or
 - 16.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.
- 16.2 The Board may also adjust any Performance Condition.

17 AMENDMENTS

- 17.1 Except as described in this rule 17, the Board may at any time amend the rules of the Plan or the terms of any Option.
- 17.2 Subject to rule 17.3, no amendment to the advantage of Eligible Employees and/or Participants will be made on or after the Approval Date under this rule 17 to the provisions relating to:
- 17.2.1 the persons to whom, or for whom, Shares or cash are provided under the Plan;
 - 17.2.2 limitations on the number or amount of Shares or cash subject to the Plan;
 - 17.2.3 the maximum entitlement for any one Participant;
 - 17.2.4 the basis for determining a Participant's entitlement to, and the terms of, Shares or cash to be provided under the Plan;
 - 17.2.5 the adjustments that may be made in the event of a variation of capital; and

17.2.6 the terms of this rule 17.2

without prior approval of the members of the Company in general meeting.

17.3 Rule 17.2 will not apply to any minor amendment which is to benefit the administration of the Plan or is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable taxation, exchange control or regulatory treatment for any Group Member or Participant.

17.4 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 17.1 unless:

17.4.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

17.4.2 the amendment is approved by a majority of those Participants who have so indicated.

17.5 No amendment will be made under this rule 17 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

18 LEGAL ENTITLEMENT

18.1 This rule 18 applies during a Participant's employment with any Group Member and after the cessation of such employment, whether or not the cessation is lawful.

18.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment for any Participant.

18.3 The grant of any Option to a Participant does not create any right for that Participant to be granted any further Options or to be granted Options on any particular terms, including the number of Shares to which Options relate.

18.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:

18.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);

18.4.2 any exercise of a discretion or a decision taken in relation to an Option or to the Plan, or any failure to exercise a discretion or take a decision; or

18.4.3 the operation, suspension, termination or amendment of the Plan.

19 GENERAL

19.1 The Plan will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.

19.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference

to a record date preceding the date of issue or transfer from treasury.

- 19.3 Any data protection policy (or policies) of the Company or any Group Member and/or data privacy notice(s) that are applicable to a Participant will apply to the processing of a Participant's personal data.
- 19.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.
- 19.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 19.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).
- 19.7 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

SCHEDULE 1

1 CASH OPTIONS

The rules of The Sage Group plc 2017 Share Option Plan will apply to a right to receive a cash sum granted under this Schedule 1 as if it was an Option (a “**Cash Option**”), except as set out in this Schedule 1. Where there is any conflict between the rules of the Plan and this Schedule 1, the terms of this Schedule 1 will prevail.

- 1.1 Each Cash Option will relate to a certain number of notional Shares and have a notional Exercise Price.
- 1.2 On the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Option relates, on the basis set out in paragraph 1.3.
- 1.3 The cash sum will be equal to the Market Value of the notional Shares to which the Cash Option relates on the date of exercise less the notional Exercise Price notionally payable for these notional Shares.
- 1.4 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as practicable after the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.
- 1.5 A Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.
- 1.6 The Malus and Clawback Policy will apply to a Cash Option as if it has been granted under the main terms of the Plan.

SCHEDULE 2 – INCENTIVE STOCK OPTIONS

The Board may determine on the Grant Date that an Option be granted under the rules of The Sage Group plc 2017 Share Option Plan subject to the terms set out in this Schedule 2. This Schedule 2 is intended to comply with section 422 of the Code and allow the Board to grant Options as ISOs. However, if the Approval Date is more than 12 months after the date the Plan is adopted by the Board, Options granted under this Schedule 2 will not be ISOs it being understood that this requirement will not apply to any Rollover Options to the extent approved by the shareholders of any predecessor company. Where there is any conflict between the rules of the Plan and this Schedule 2, the terms of this Schedule 2 will prevail.

1 DEFINITIONS AND INTERPRETATION

1.1 Except as provided for in this Schedule 2, capitalised words and expressions in this Schedule 2 will have the same meanings as in the rules of the Plan.

1.2 In this Schedule 2, the following words and expressions will have the following meanings:

“Market Value”	the fair market value of a Share as determined by the Board in accordance with the Code; and
10% Shareholder	an Eligible Employee who holds or is deemed to hold under section 424 of the Code more than 10% of the voting rights of all classes of ordinary shares in the Company or one of its Subsidiaries.

2 GRANT OF OPTIONS

2.1 The wording “and whether the Option is intended to be an ISO” will be added to the end of rule 2.3.

3 EXERCISE PRICE

3.1 The wording “provided that such determination of the Exercise Price is in compliance with section 424(a) of the Code” will be added to the end of rule 5.2.

3.2 The following new rule 5.4 will be added to rule 5:

“5.4 Any Option granted to a 10% Shareholder must have an Exercise Price which is not less than 110% (or such other percentage as is set out in section 422(c)(5) of the Code from time to time) of the Market Value (determined on the Grant Date) of a Share.”

4 INDIVIDUAL LIMITS

4.1 The following new rules 6.5 to 6.8 will be added to rule 6:

“6.5 Subject to rules 6.6 and 6.7, section 422(d)(1) of the Code (as amended from time to time) applies to any Option intended as an ISO.

6.6 For the purposes of rule 6.5, the Normal Vesting Date of a Rollover Option granted under this Schedule 2 in respect of an ISO granted as an Original Option that was already exercisable on the Grant Date of that Rollover Option will be deemed to be the date on which the Original Option first became exercisable.

6.7 If the Company, any Subsidiary of the Company or any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company's holding company has granted ISOs to an Eligible Employee other than under the Plan, those ISOs will be counted towards the limit set out in rule 6.5.

6.8 If the Board purports to grant an Option under this Schedule 2 which is in excess of the limit set out in rule 6.5, that Option will be treated as an ISO in respect of Shares with a Market Value equal to the limit set out in rule 6.5 and as an Option granted under the Plan as to the excess."

5 VESTING AND EXERCISE

The following wording will be inserted into rule 9.3 after "until the tenth anniversary of the Grant Date":

" , or in the case of Options granted to a 10% Shareholder, until the fifth anniversary of the Grant Date".

6 CASH EQUIVALENT AND NET SETTLEMENT

Rule 12 will not apply to Options granted under this Schedule 2.

7 CESSATION OF EMPLOYMENT

7.1 The final sentence of rule 13.5 will be deleted and replaced with:

"The Option may then, subject to rules 9.5 and 13.9, be exercised for a period of three months (or, if the Participant has ceased to hold office or employment because of his disability within the meaning given by section 22(e)(3) of the Code, 12 months) from the date of Vesting, after which time it will lapse."

7.2 Rule 13.8 will be deleted and replaced with:

"12.8 Subject to rule 13.3, where a Participant Leaves on or after the Normal Vesting Date, an Option (to the extent Vested) may, subject to rules 9.5 and 13.9, be exercised for a period of three months from the date of cessation, after which time it will lapse unless:

12.8.1 the Participant has ceased to hold office or employment with a Group Member because of summary dismissal for good cause, in which case any Option other than a Rollover Option will lapse on the date of such cessation; or

12.8.2 the Participant has ceased to hold office or employment with a Group Member because of his disability within the meaning given by section 22(e)(3) of the Code, in which case an Option may be exercised for a period of 12 months from the date of cessation, after which time it will lapse.

8 ADDITIONAL BENEFITS

To the extent any provision of rule 12 or 13 represents an additional benefit (within the meaning given by section 422 of the Code) in relation to a Rollover Option granted as an ISO that provision will not apply unless the Board determines that such provision will apply notwithstanding that it will cause that Rollover Option to cease to be an ISO.

9 ADJUSTMENTS

The following rule 15.3 will be added to rule 15:

“15.3 Any amendment made under this rule 15 will only be effective to the extent that it complies with section 422 of the Code.”

10 AMENDMENTS

The following rule 16 will be added to rule 17:

“16.6 Any amendment made under this rule 17 will only be effective to the extent that it complies with section 422 of the Code.”

SCHEDULE 3 – OPTIONS GRANTED IN THE STATE OF CALIFORNIA

The Board may determine on the Grant Date that an Option be granted under the rules of The Sage Group plc 2017 Share Option Plan subject to the terms set out in this Schedule 3. This Schedule 3 is intended to comply with sections 260.140.41, 260.140.45 and 260.140.46 of the California Code of Regulations as amended from time to time (the “**Regulations**”). However, if the Approval Date is more than 12 months after the date the Plan is adopted by the Board, the grant of any Options under this Schedule 3 will not be in accordance with the Regulations and will be of no effect and no Participant will be entitled to any compensation or entitlement in respect of his Option. Where there is any conflict between the rules of the Plan and this Schedule 3, the terms of this Schedule 3 will prevail.

1 DEFINITIONS AND INTERPRETATION

Except as provided for in this Schedule 3, capitalised words and expressions in this Schedule 3 will have the same meanings as in the rules of the Plan.

2 ADJUSTMENTS

Rule 15.1 will be deleted and replaced with:

“15.1 The number of Shares subject to an Option and/or the Exercise Price applicable to an Option and/or the limit on the maximum number of Shares set out in rule 7.87 will (in the event of any variation of the share capital of the Company including a stock split, reverse stock split, stock dividend, recapitalisation, combination, reclassification or distribution of the Shares) and may (in the event of a demerger, delisting, special dividend or other event which may, in the opinion of the Board, affect the current or future value of Shares) be proportionately adjusted in such manner as the Board determines.”



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