

FAROE PETROLEUM PLC

RULES

OF THE

FAROE PETROLEUM CO-INVESTMENT PLAN 2016

Directors' Adoption:	28 June 2016
Shareholders' Approval:	28 June 2016
Amended:	20 June 2017
	15 March 2018
	30 August 2018
Expiry Date:	27 June 2026



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Faroe Petroleum Co-Investment Plan 2016

1. Meaning of words used

1.1 In these rules:

“**Acquiring Company**” means a person who obtains Control of the Company;

“**Annual Bonus**” means annual bonus which a Participant may become eligible to receive in accordance with the terms of their employment contract;

“**Award**” means a Matching Award or a Matching Option;

“**Award Date**” means the date on which an Award is granted to a Participant under the Plan;

“**Board**” means the board of directors of the Company or, as appropriate, a duly authorised sub-committee of it;

“**Bonus Investment**” means the portion, of up to 100%, of the Participant’s Annual Bonus which the Participant chooses to apply to acquire Investment Shares under the Plan. The Participant will be able to acquire Investment Shares at a Market Value which is equivalent to the Bonus Investment after deduction of income tax and national insurance contributions (and similar payroll charges) pursuant to rule 3 (Investment Shares);

“**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 the Shares are traded) is open for the transaction of business;

“**Cause**” means the summary dismissal of the Participant’s office or employment with any Group Member by reason of deliberate wrong doing, gross negligence or such other conduct by the Participant considered by the Committee justifying summary dismissal of the Participant or the resignation of the Participant in circumstances justifying such summary dismissal;

“**Committee**” means, subject to rule 12.5 (Committee), the remuneration committee of the Company or any duly authorised sub-committee of it;

“**Company**” means Faroe Petroleum plc;

“**Company Broker**” means the broker which the Company usually uses to trade in the Company’s Shares from time to time, being Stifel Nicolaus Europe Limited at the date of adoption of the Plan, or such other broker as the Committee may appoint for the purposes of the Plan, at its discretion;

“**Control**” means the power of a person to secure by means of the holding of shares or the possession of voting power in, or by virtue of any powers conferred by any articles of association (or other document), that the affairs of a body corporate are conducted in accordance with the wishes of that person;

“**Dealing Restrictions**” means dealing restrictions imposed by law or regulation or any other code adopted by the Company from time to time;

“**Dividend Equivalents**” means an amount equal to the ordinary dividends payable on the number of Shares subject to an Award as determined by the Committee;

“**Eligible Employee**” means an employee who meet the requirements set out in rule 2.1 (Eligible Employees);

“Employee Benefit Trust” means the Faroe Petroleum Employee Benefit Trust, established by a trust deed dated 4 October 2010 between the Company and Weighbridge Trust Limited;

“Employees’ Share Scheme” has the meaning set out in section 1166 of the Companies Act 2006;

“Exercise Period” means the period during which a Matching Option may be exercised, starting on the Vesting Date and ending with the date which is twenty four months following the Vesting Date;

“Expiry Date” means 27 June 2026;

“Holding Period” means a period of three years between the Award Date and the Vesting Date or such other period as the Committee may, in its discretion, determine at the Award Date;

“Good Leaver Reason” where a Participant ceases to hold office or employment with any Member of the Group for any reason other than by reason of Cause or, unless the Committee determines otherwise, the resignation of the Participant;

“Gross Bonus” means the Bonus Investment prior to the deduction of income tax at the Participant’s marginal rate together with any employee social security charge or other similar payroll deduction;

“Investment Shares” means shares the Participant buys using such portion of their Annual Bonus as they decide in accordance with rule 3 (Investment Shares);

“Invitation Date” means the date the Committee makes an invitation to an Eligible Employee to participate in the Plan;

“AIM” means a sub-market of the London Stock Exchange;

“Market Value” on any date when Shares are listed on a stock exchange means the closing price of a Share on that exchange, on the Business Day before that date, or as otherwise determined by the Committee acting fairly and reasonably in its absolute discretion;

“Matching Award” means a conditional right to acquire Shares in connection with Investment Shares in accordance with rule 4 (Matching Awards) with an aggregate market value equal to the Bonus Investment nominated by the Participant;

“Matching Option” means an option to acquire Shares in connection with Investment Shares acquired by a Participant and granted to the Participant in accordance with rule 5 (Matching Options);

“Matching Ratio” means the Market Value of Shares subject to an Award in proportion to the Bonus Investment applied to acquire Investment Shares by the Participant;

“Matching Shares” means Shares subject to an Award;

“Member of the Group” means:

- a. the Company;
- b. its Subsidiaries from time to time; and
- c. any other company which is associated with the Company and is so designated by the Committee,

and **“Group”** and **“Group Member”** will be construed accordingly.

“Participant” means any person who holds an Award and/or Investment Shares, or who has accepted an offer to participate in the Plan and will use or all part of their Annual Bonus to buy Investment Shares, or, where that person has died, any person acquiring his beneficial interest by operation of law;

“Performance Conditions” means any conditions which the Committee imposes in its discretion under rule 7 (Performance Conditions);

“Performance Period” means the period in respect of which any conditions imposed under rule 7 (Performance Conditions) are to be satisfied, which will be three years unless the Committee in its discretion determines otherwise;

“Plan” means the plan constituted by these rules known as “The Faroe Petroleum Co-Investment Plan 2016”, as amended from time to time;

“Plan Shares” means all Investment Shares and/or Matching Shares held by a Participant under the terms of the Plan;

“Plan Year” means any 12-month period for the operation of the Plan commencing on such date as determined by the Committee pursuant to rule 2 (Operation of the Plan);

“Purchase Window” has the meaning given in rule 2.5.1;

“Salary” means the basic annual salary excluding all payments additional to basic salary (for example, bonuses etc.);

“Shares” means fully paid ordinary shares in the capital of the Company or, where the context permits, in the event of a Change of Control, any security which forms part of any new holding;

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

“Vesting” means the Participant becoming entitled to:

- a. have the Shares subject to a Matching Award issued or transferred to him subject to the Plan; or
- b. exercise a Matching Option subject to the Plan,

and **“Vest”**, **“Vested”**, **“Vesting Date”** and **“Unvested”** will be construed accordingly.

1.2 Interpretation

In this Plan, the singular includes the plural and words imparting a gender include every gender, references to any enactment or statutory requirement will be construed as references to that enactment or requirement as from time to time amended, modified or re-enacted and includes any subordinate legislation made under it.

2. Operation of the Plan

2.1 Eligible Employees

The Committee may, from time to time, determine which employees of any Member of the Group will be invited to participate in the Plan. In order to be eligible to participate, the employee must:

- 2.1.1 as at the Award Date remain employed with any Member of the Group; and
- 2.1.2 as at the proposed Invitation Date have a qualifying period of continuous service of six months' or such other period as the Committee may determine with any Member of the Group; and
- 2.1.3 as at the Award Date satisfy any other condition(s) specified by the Committee at its discretion; and
- 2.1.4 as at the Award Date not be under notice of termination of employment, either given or received, unless the Committee determines otherwise, in its discretion.

For the avoidance of doubt, non-executive directors of the Company or any Member of the Group, consultants and other non-employees are not eligible to participate in the Plan.

2.2 Source of shares

The Plan may operate using newly issued Shares, treasury Shares or shares purchased in the market (including but not limited to shares held in trust).

2.3 Timing and manner of operation

- 2.3.1 The Committee can issue invitations to participate in the Plan at any time during the period of:
 - (i) the date of shareholder approval of the revised Plan Rules or an amendment to the Plan;
 - (ii) the day after the announcement of the Company's interim or final results, including a preliminary announcement, for any period or through a Regulatory Information Service;
 - (iii) within a month of the payment of the Annual Bonus, or such other period as the Committee determines in its discretion;
 - (iv) any day on which the Committee determines that circumstances are sufficiently exceptional to justify the making of the Award at that time; or
 - (v) within 42 days of the lifting of any Dealing Restrictions which prevented the making of Awards during any of the times described above.
- 2.3.2 No invitations may be issued after the Expiry Date.

2.4 Invitation

- 2.4.1 The Committee may issue invitations to Eligible Employees setting out the maximum amount of Annual Bonus that each Eligible Employee can use to acquire Investment Shares as soon as reasonably practicable after the Company has determined the Eligible Employees' Annual Bonus.
- 2.4.2 The invitations may only be made to Eligible Employees and will be made in such form as the Committee determines.
- 2.4.3 Each invitation will set out the following (as applicable):
 - (i) the value of the Annual Bonus which the Eligible Employee may use to purchase Investment Shares (subject to the maximum percentage of bonus referred to in rule 3.1);

- (ii) the Purchase Window in which the Eligible Employee can use his Annual Bonus in order to buy Investment Shares using either his personal broker or the Company's Broker;
- (iii) the process the Eligible Employee must follow if he uses the Company's Broker to acquire Investment Shares;
- (iv) details of the evidence the Eligible Employee must provide to the Company if he acquires Investment Shares using his personal broker, detailing the number of Investment Shares he has acquired and the date on which they were acquired;
- (v) any Performance Conditions and other conditions that will apply to the Vesting of an Award pursuant to rule 7 (Conditions, etc.) and the applicable Performance Period;
- (vi) any Holding Period that will apply to the Investment Shares the Participant acquires;
- (vii) whether the Award is a Matching Award or a Matching Option;
- (viii) the Matching Ratio determined under rule 5.3(Matching Ratio);
- (ix) whether the Investment Shares should be held directly by the Eligible Employee or whether the legal title to the Investment Shares should be held on behalf of the Eligible Employee by a nominee; and
- (x) whether the Award is subject to Dividend Equivalents determined under rule 6 (Dividend Equivalents).

2.4.4 For the avoidance of doubt, to the extent that Investment Shares are held by a nominee on behalf of a Participant, the Participant shall remain the full beneficial owner of those Investment Shares and shall be entitled to exercise all rights attaching to those Investment Shares, including the right to vote and to receive dividends.

2.5 Application

2.5.1 The Purchase Window during which an Eligible Employee may acquire Investment Shares which, unless the Committee determines otherwise, will be 30 days from the date the invitation form referred to in rule 2.4 (Invitation) is issued the Eligible Employee.

2.5.2 The completed application must be submitted as specified in the invitation. An Eligible Employee who has not submitted a properly completed application will not be able to participate in the Plan, unless the Committee determines otherwise.

3. Investment Shares

3.1 Individual Limit

3.1.1 The Committee will determine the maximum amount or value of the Eligible Employee's Annual Bonus which the Eligible Employee can use to buy Investment Shares, which, for the avoidance of doubt, cannot exceed 100% of the Eligible Employee's Annual Bonus.

3.1.2 If necessary, the Eligible Employee's Annual Bonus will be converted into the applicable currency, as required, on such date(s) and by such method as determined by the Committee. Any currency risk under the Plan is borne by the Eligible Employee.

3.2 Purchase of Investment Shares

- 3.2.1 Unless the Participant decides otherwise, and notifies the Company accordingly, the default position will be that Participants will use their Bonus Investment to purchase Investment Shares using the Company's Broker, who will purchase the Investment Shares on the Participant's behalf.
- 3.2.2 Participants will purchase Investment Shares at Market Value, using their Bonus Investment, within such period after the date the Company invites them to participate in the Plan as set out in the Invitation sent to the Participant pursuant to rule 2.4 (Invitation).

3.3 Evidence of Purchase of Investment Shares

If the Participant elects to acquire the Investment Shares using their Personal Broker, they will need to provide the Company with evidence that they have purchased Investment Shares using their Bonus Investment.

3.4 Holding Investment Shares

A Participant may not sell, transfer, charge or encumber his Investment Shares or at any time, direct the Company's Broker or his nominee to sell his Investment Shares (to the extent that a Participant's Investment Shares are held by the broker or a nominee) or dispose of his beneficial interest in the Investment Shares prior to the Vesting Date of the related Award. Notwithstanding this rule 3.4, if a Participant sells or transfers or removes charges or encumbers all or part of his Investment Shares prior to the Vesting Date of the related Award, his right to all or part of the Award (as the case may be) to which the Investment Shares relate shall lapse in accordance rule 14 (Lapsing) below.

4. Matching Awards

4.1 Matching Award

Subject to rules 2.1 and 2.3 and the determination made under rule 2.4.3(vii), the Board, having consulted with the Committee, will, subject to the production of satisfactory evidence that the corresponding Investment Shares are held by the Participant in accordance with the terms of the Committee's invitation referred to in rule 2.4 above, grant a Matching Award to a Participant under the terms set out in this Plan subject to such conditions as the Committee may determine at that time in accordance with rule 7.1 (Conditions, etc.).

4.2 Matching Award Certificate

As soon as practicable on or after the Award Date, the Board will issue to each Participant an award certificate specifying the following details in relation to a Matching Award:

- 4.2.1 the Award Date;
- 4.2.2 the maximum number of Matching Shares which may be acquired pursuant to the Matching Award;
- 4.2.3 any Holding Period;
- 4.2.4 whether any Dividend Equivalents will apply to the Matching Award; and
- 4.2.5 any Performance Conditions and related Performance Period and any other conditions as to Vesting of the Matching Award (in accordance with rule 7.1, below).

4.3 Matching Ratio

Matching Awards will be granted on the basis of one Matching Share to one Investment Share as if the Participant's Gross Bonus had been used to acquire Investment Shares at Market Value.

5. Matching Options

5.1 Matching Options

Subject to rules 2.1 and 2.3, and the determination made under rule 2.4.3(vii), the Board, having consulted with the Committee, will, subject to the production of satisfactory evidence that the corresponding Investment Shares are held by the Participant in accordance with the terms of the Committee's invitation referred to in rule 2.4 above, grant a Matching Option to a Participant under the terms set out in this Plan subject to such conditions as the Committee may determine at that time in accordance with rule 7.1 (Conditions, etc.).

5.2 Option Certificate

As soon as practicable on or after the Award Date, the Board will issue to each Participant an option certificate specifying the following details in relation to a Matching Option:

- 5.2.1 the Award Date;
- 5.2.2 the maximum number of Matching Shares which may be acquired pursuant to the Matching Option;
- 5.2.3 the Exercise Period;
- 5.2.4 any Holding Period;
- 5.2.5 whether any Dividend Equivalents will apply to the Matching Option; and
- 5.2.6 any Performance Condition(s) and related Performance Period and any other conditions as to Vesting of the Matching Option (in accordance with rule 7.1, below).

5.3 Matching Ratio

Matching Options will be granted on the basis of one Matching Share to one Investment Share as if the Participant's Gross Bonus had been used to acquire Investment Shares at Market Value.

5.4 Exercise Price

The exercise price payable on the exercise of a Matching Option shall be nil.

6. Dividends Equivalents

6.1 Unless the Committee determines otherwise, Awards will not carry a right to Dividend Equivalents.

6.2 If, in its discretion, the Committee determines that an Award carries the right to Dividend Equivalents, Participants will receive an amount equal to the dividends (other than special dividends, unless the Committee decides otherwise) the record date for which falls between the Award Date and the date the Award is satisfied multiplied by the number of Shares in respect of which the Award Vests..

6.3 Any Dividend Equivalents may be paid in cash or in such whole number of Shares (rounded down) as has a Market Value (at the date the Award is satisfied) as nearly as practicable equal to the

amount determined under rule 6.2. The cash will be paid or Shares delivered on the same date and the same terms as the related Award.

6.4 Any Shares so awarded under rule 6.3 will not count towards the Investment Shares limit referred to in rule 3.1.1 (Limit) or the Plan limits referred to in rule **15** (Plan Limits).

6.5 If the Committee exercises its discretion under rule **6.2**, the amount of Dividend Equivalents to be paid to the Participant will be calculated as though any dividends declared had been reinvested, prior to satisfaction of the Award, unless the Committee, in its discretion, determines otherwise.

7. Performance and other Vesting Conditions

7.1 Making Awards conditional on Performance Conditions

The Committee may include in any Award such objective conditions (including Performance Conditions) as to the Vesting of an Award as it, in its discretion, thinks fit. The Committee may also determine that an Award shall only Vest as to specified proportion of the Shares comprised therein, on or after dates stated at the Award Date and specified in the award certificate or option certificate (as the case may be).

7.2 Nature of Performance Conditions

Any Performance Conditions imposed in accordance with this rule 7 must be:

7.2.1 objective and specified in the invitation pursuant to rule 2.4 (Invitation); and

7.2.2 may provide that an Award will lapse in accordance with rule 14 (Lapsing) to the extent that the Performance Conditions imposed under this rule are not satisfied.

7.3 Performance Period

If the Board grants an Award which is subject to Performance Conditions, the Committee will determine any relevant Performance Period in respect of those Performance Conditions.

7.4 Holding Period

The Committee may determine that an Award (or part thereof) granted by the Board may be subject to a Holding Period on terms such that the Award (or part thereof) will Vest at the end of the Holding Period, subject to the satisfaction of any other conditions set by the Committee at the Award Date pursuant to this rule 7.

7.5 Changing Performance Conditions

If events occur which cause the Committee reasonably to believe that the original Performance Conditions are no longer a fair measure of performance then the Committee may amend or waive such conditions in such manner as may be fair and reasonable, provided that any amended Performance Conditions shall be no more difficult to achieve than the original Performance Conditions were considered to be when first set. The Company will inform the Participant of any changes to any Performance Conditions as soon as it is reasonably practicable to do so.

8. Vesting of Award

8.1 Determination of Conditions

The Committee will, as soon as reasonably practicable after the end of any Performance Period, determine whether and to what extent any Performance Conditions and/or any other conditions imposed under rule 7.1 (Conditions, etc.) or otherwise attaching to the Awards have been satisfied, and how many Shares may Vest for each Award. To the extent the Committee determines that any Performance Conditions and/or other conditions are not satisfied, the Award will lapse within the meaning of rule 14.2.2(i) (Consequences of Lapsing).

8.2 Timing of Vesting

Subject to rule 8.3 (Timing of Vesting - Dealing Restrictions), rule 11 (Leaving) and 12 (Corporate Events), Vesting will occur on the latest of the following:

- 8.2.1 the date on which the Committee makes its determination under rule 8.1 (Determination of Conditions) of the extent to which any Performance Conditions or other conditions imposed under rule 7 (Conditions, etc.), are satisfied; and
- 8.2.2 the end of any relevant Holding Period,
and “**Vesting Date**” will be construed accordingly.

8.3 Timing of Vesting – Dealing Restrictions

Where an Award would otherwise Vest at a time when Dealing Restrictions would prohibit:

- 8.3.1 if the Award is a Matching Option, its exercise;
- 8.3.2 the delivery, or procurement of the delivery, of Shares or cash (as appropriate) to the Participant; and/or
- 8.3.3 the Participant from selling Shares to discharge any liability for Taxation, where relevant,

such Award will not Vest until all such Dealing Restrictions cease to apply. For the avoidance of doubt, any delay in Vesting of an Award as a result of this rule 8.3 will have no impact on the timing of the Committee’s determination as to whether any Performance Conditions have been satisfied under rule 8.1 (Determination of Conditions).

8.4 Payment of tax and national insurance

Vesting of any Award will be subject to the Participant meeting any liability to taxation, duties, employee social security charges or other amount (wherever arising) but excluding employers social security charges in respect of the Award.

8.5 Consequences of Vesting of a Matching Award

If a Matching Award Vests, the Company will procure the issue or transfer of the number of Shares in respect of which any Matching Awards have Vested, within 30 days of Vesting, subject to rule 8.6 (Delivery - Dealing Restrictions).

8.6 Delivery – Dealing Restrictions

If the delivery, or the procurement of the delivery, of Shares or cash (as appropriate) in satisfaction of a Matching Award would be prohibited by Dealing Restrictions, delivery will not occur until after such time as all such Dealing Restrictions cease to apply.

9. Exercise of Matching Options

9.1 Exercise

- 9.1.1 A Participant may exercise a Matching Option by giving notice at any time during the Exercise Period in the manner determined by the Board.
- 9.1.2 The exercise of a Matching Option is effective on the date of receipt of the notice.
- 9.1.3 A Matching Option may only be exercised in full and on one occasion.
- 9.1.4 If Dealing Restrictions would prohibit:
- (i) the exercise of a Matching Option;
 - (ii) the delivery, or procurement of the delivery, of Shares or cash (as appropriate) to the Participant; and/or
 - (iii) the Participant from selling Shares to discharge any liability for taxation, where relevant,
- then rule 9.1.5 applies.
- 9.1.5 If this rule 9.1.5 applies,
- (i) any exercise will take effect on the Business Day after the Dealing Restrictions cease to apply; and
 - (ii) if the Exercise Period would otherwise end before the Dealing Restrictions cease to apply it will be extended to end 30 days after the Dealing Restrictions cease to apply and "Exercise Period" will be interpreted accordingly.

10. Satisfaction of Awards

10.1 Shareholder Rights

- 10.1.1 Shares issued on the Vesting of a Matching Award or the exercise of a Matching Option will rank equally in all respects with the Shares in issue on the date such Shares are issued. They will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding such date.
- 10.1.2 Where Shares are transferred (including a transfer out of treasury) on the Vesting of a Matching Award or the exercise of a Matching Option, 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 voting, dividend or other rights before the transfer date.

10.2 Cash-settling of Matching Awards

- 10.2.1 The Committee may decide to satisfy an Award (or a part of it) by paying an equivalent amount in cash.
- 10.2.2 The Committee may, in its absolute discretion, determine that Awards will be satisfied in cash at the Award Date or at any time subsequently.

10.3 Withholding

- 10.3.1 The Company, any employing company of a Participant or the trustee of any employee benefit trust may make such arrangements as it considers necessary to meet any liability to taxation, duties, social security contributions or other similar amounts (wherever arising) but excluding employers social security charges in respect of Awards or otherwise in connection with a Participant's participation in the Plan, whether the liability is a liability of, or is payable by, the Participant, the Company, the employing company or a trustee.
- 10.3.2 These arrangements may include a reduction in the number of Shares subject to an Award, the sale on behalf of the Participant of any of the Plan Shares and the retention of the sale proceeds to meet the liability or deduction from the Participant's Salary by the Member of the Group which employs him. References to social security contributions include anything in a jurisdiction outside the UK which, in the opinion of the Committee, is reasonably comparable to social security contributions.

11. Leaving

11.1 General rule

Subject to the rest of this rule 11 (Leaving), Awards will lapse on the date the Participant ceases to be employed within the Group unless rule 11.2 (Leaving for a Good Leaver Reason) applies.

11.2 Leaving for a Good Leaver Reason

If a Participant ceases to be employed within the Group for a Good Leaver Reason, then any Awards that have not Vested shall not lapse, but shall Vest to the extent that the Performance Conditions have been satisfied, as measured over the Performance Period, unless and to the extent the Committee determines otherwise.

If the Participant ceases to be employed within the Group during the Performance Period for a Good Leaver Reason, the Awards will unless and to the extent the Committee determines otherwise Vest pro-rata as a proportion of the amount of time that has elapsed between the Award Date and the original Vesting Date. The Awards will lapse as to the balance.

For the avoidance of doubt, the Committee will have discretion to determine that Awards will Vest in full if the Participant ceases to be employed within the Group for a Good Leaver Reason during the Performance Period.

If a Participant who holds a Matching Option ceases to be employed within the Group during the Exercise Period for a Good Leaver Reason, the Matching Option will remain capable of exercise during the whole of the Exercise Period. The Matching Option will lapse immediately if the Participant ceases such employment other than for a Good Leaver Reason.

Where a Matching Award Vests under this rule 11, the delivery date will be as soon as practicable after Vesting.

Where a Matching Option Vests under this rule 11, the Matching Option will be exercisable for a period of 6 months (12 months in the case of the Participant's death) from Vesting, (or such longer period as the Board determines) and will then lapse, and "Exercise Period" shall be construed accordingly.

No period for exercise set out in this rule 11 will extend any Exercise Period that would otherwise apply to a Matching Option, except in the case of the death of the Participant.

11.3 Meaning of “ceasing to be employed within the Group”

11.3.1 For the purposes of this rule 11 (Leaving) and rule 14 (Lapsing):

- (i) a Participant will not be treated as ceasing to be employed within the Group until he ceases to be an employee of all Members of the Group;
- (ii) if a Participant ceases to be an employee of the Group but remains a director of a Member of the Group, the Committee may determine that the Participant will not be treated as ceasing to be employed within the Group until he also ceases to be a director of the Group.

11.3.2 “**Group**” for the purpose of this rule 11 (Leaving) and rule 14 (Lapsing) includes any associated company nominated for this purpose by the Committee.

11.4 Investment Shares

11.4.1 If the Participant’s employment ceases for any reason, participation in the Plan will cease and he will have no right to acquire further Investment Shares, or to receive any Awards in respect of such Investment Shares.

11.4.2 If, on the date the Participant’s employment within the Group ceases, the Participant has elected to use all or part of his Annual Bonus to buy Investment Shares but such Investment Shares have not been acquired at the date his employment terminates, where a Participant’s employment is terminated for a reason within rule 11.2 (Good Leaver Reason) the Bonus Investment may still be applied to acquire Investment Shares and the related Award will be awarded and will Vest in accordance with rule 11.2.

11.5 Treatment of Plan Shares on ceasing employment

If a Participant ceases employment with the Group and he holds Investment Shares and/or Matching Shares which have Vested, through a nominee or a facility provided by the trustee of the Employee Benefit Trust, as soon as reasonably practicable after ceasing employment, the Company will notify the Participant and seek his instructions as to whether the Shares should be:

11.5.1 transferred to the Participant; or

11.5.2 sold and the cash proceeds transferred to the Participant, subject to any required deductions, for example, to satisfy income tax or social security contributions or similar charges.

The Participant must provide his instructions within such period of receiving the notification as the Committee decides. If the Participant does not do this, the Company or the trustee of the Employee Benefit Trust will transfer the Participant’s Shares to the Participant, unless the Committee determines otherwise. If this is the case, the Company or trustee of the Employee Benefit Trust will procure that the Participant’s Shares are sold and will transfer the cash proceeds to the Participant, subject to any required deductions.

12. Corporate events

12.1 Takeovers

If a person (or a group of persons acting in concert) obtains Control of the Company as a result of making an offer to acquire Shares, the Performance Period relating to any Matching Award will end on the date that the person (or a group of persons acting in concert) obtains such Control of the Company and the Award will Vest, subject to the provisions of rule 8 (Vesting of Award), rule 9 (Exercise of Matching Options), rule **Error! Reference source not found.** (Satisfaction of awards) and rule 11 (Leaving) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to rule 12.4. Unless settled or exercised, all Awards will lapse, whether Vested pursuant to this rule 12.1 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

12.2 Scheme of arrangement

If a court sanctions a compromise or arrangement in connection with the acquisition of Shares, the Performance Period relating to any Matching Award will end on the date that the court sanctions the compromise or arrangement and the Award will Vest, subject to the provisions of rule 8 (Vesting of Award), rule 9 (Exercise of Matching Options), rule **Error! Reference source not found.** (Satisfaction of Awards) and rule 11 (Leaving) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to rule 12.4. Unless settled or exercised, all Awards will lapse, whether Vested pursuant to this rule 12.1 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

12.3 Winding up

In the event of winding up of the Company, the Performance Period relating to any Matching Award will end immediately prior to the winding up of the Company and the Award will Vest, subject to the provisions of rule 8 (Vesting of Award), rule 9 (Exercise of Matching Options), rule **Error! Reference source not found.** (Satisfaction of Awards) and rule 11 (Leaving) relating to the Vesting, exercise and settlement of Awards and subject to any adjustment made by the Committee pursuant to rule 12.4. Unless settled or exercised, all Awards will lapse, whether Vested pursuant to this rule 12.1 or otherwise, at the end of the period of six months following such date, save where it has already lapsed prior to that date in accordance with the rules of the Plan.

12.4 Relevant Event

If any of the events in rules 12.1 to 12.3 inclusive (a "**Relevant Event**") occurs, the number of Shares to Vest (if any) in respect of an Award may, if the Committee acting in its complete discretion so determines, be reduced by reference to the proportion of the Performance Period which has elapsed at the date of the Relevant Event.

12.5 Committee

In this rule, "Committee" means those people who were members of the Committee immediately before the change of Control.

13. Variations in share capital, demergers and special distributions

13.1 Adjustments to Awards

If there is:

- 13.1.1 a variation in the equity share capital of the Company, including a capitalisation or rights issue, sub-division, consolidation or reduction or other variation of share capital;
- 13.1.2 a demerger (in whatever form) or exempt distribution by virtue of section 1075 of the UK Corporation Tax Act 2010;
- 13.1.3 a special dividend or distribution; or
- 13.1.4 any other transaction which will materially affect the value of Shares,

the Committee may adjust the number or class of Shares or securities comprised in an Award in such manner as the Committee considers fair and reasonable to preserve the value of the Award. The Committee will notify Participants of any adjustment made under this rule 13.1.

13.2 Early vesting

13.2.1 If the adjustment of an Award is not practicable or appropriate as determined by the Committee, the Committee may allow an Award to Vest immediately prior to, and conditional on, the occurrence of the relevant event set out in rule 13.1 (Adjustments to Awards), taking into account:

- (i) the amount of any Holding Period that has elapsed;
- (ii) the extent to which any Performance Conditions and any other conditions imposed under rule 7.1 (Conditions, etc.) have been satisfied at that date, as determined by the Committee;
- (iii) the amount of any Performance Period which has elapsed; and
- (iv) any other factors or considerations the Committee considers relevant are satisfied.

13.2.2 The Award will lapse within the meaning of rule 14 (Lapsing) as to the balance. The delivery date, in the case of a Matching Awards, will be as soon as practicable after Vesting, unless the Committee determines that the original delivery date should apply. The Exercise Period, in the case of a Matching Option, will begin immediately on Vesting.

14. Lapsing

14.1 Sale, Transfer, Charging or other alienation of Investment Shares

If the Participant sells, transfer, charges or otherwise alienates his Investment Shares before the corresponding Matching Shares have Vested, the Participant will lose his right to receive the corresponding Matching Shares and the corresponding Award will lapse.

14.2 Timing of Lapsing

14.2.1 Awards will lapse to the extent they have not Vested on the earliest of:

- (i) the Vesting Date;
- (ii) the date on which the Participant ceases to be employed within the Group (unless rule 11.2 (Leaving for a Good Leaver Reason) applies);
- (iii) the date of Vesting that the Committee determines under rule 11.2 (Leaving for a Good Leaver Reason), if different to the Vesting Date;
- (iv) the date on which the Committee determines that any Performance Conditions or other conditions imposed under rule 7.1 (Performance Conditions) have not been satisfied in respect of the relevant Award;
- (v) the date of the event which gives rise to a Vesting under rule 12 (Corporate events);
- (vi) any date on which the Participant is adjudged bankrupt;
- (vii) where the Participant attempts to transfer, sell or charge his Investment Shares and/or the date where a Participant attempts to transfer, assign, change or otherwise alienate an Award or any rights in respect of it; and
- (viii) the tenth anniversary of the Award Date.

14.2.2 Matching Options will lapse to the extent they have not been exercised on the earliest of:

- (i) the day immediately following the end of the Exercise Period;
- (ii) the date on which the Participant ceases to be employed within the Group (unless rule 11.2 (Leaving for a Good Leaver Reason) applies);
- (iii) any date on which the Participant is adjudged bankrupt;
- (iv) where the Participant attempts to transfer, assign, change or otherwise alienate a Matching Option or any rights in respect of it; and
- (v) the tenth anniversary of the Award Date.

14.3 Consequences of Lapsing

If a Matching Award lapses under the Plan, it cannot Vest and a Participant has no rights in respect of it. If a Matching Option lapses under the Plan, whether or not it has Vested, it may not be exercised and the Participant has no rights in respect of it.

15. Plan limits

15.1 15 per cent 10-year limit

15.1.1 The number of Shares which may be allocated under the Plan on any day must not exceed 15 per cent of the ordinary share capital of the Company in issue immediately before that day, when added to the total number of Shares which have been allocated in the previous 10 years under the Plan and all other employee share plans operated by the Company.

- 15.1.2 The Committee will have absolute discretion to scale back the contributions Participants make in order to acquire Investment Shares, and the corresponding amount of Matched Shares that will be awarded, if, in practice, the Committee determines that the amount of Shares that may be allocated might exceed 15 per cent of the ordinary share capital of the Company in issue when added to the total number of Shares which have been allocated in the previous 10 years under the Plan and all other employee share plans operated by the Company.

15.2 Exclusions

For the purposes of calculating the limits referred to in rule 15.1:

- 15.2.1 for as long as required by the Investment Association guidelines, treasury shares shall be included in the limit as if they were new issue shares;
- 15.2.2 any Shares that have been purchased in the market, including but not limited to any Shares that are held in trust, shall not be included in the calculation of this limit;
- 15.2.3 any Shares issued in relation to an Award or the vesting of other rights of an employee under any other Employees' Share Scheme operated by the Group shall be taken into account once only (when the Award is granted or the right awarded) and shall continue to count towards the limit even when the Award Vests;
- 15.2.4 where the right to acquire Shares lapses, has been surrendered or otherwise becomes incapable of Vesting, the Shares concerned are ignored when calculating these limits;
- 15.2.5 no account will be taken of Shares which are issued and which represent the value of dividends declared during the Performance Period on the number of Shares subject to the Participant's Awards which have Vested; and
- 15.2.6 no account will be taken of partnership shares acquired by the Participant from their Salary or of dividend shares acquired from cash dividends pursuant to a share incentive plan operated by the Group under the provisions of Schedule 2 to ITEPA.

15.3 Scaling down

If the making of an Award would cause the limits in rule 15.1 to be exceeded, such Award shall take effect as an Award over the maximum number of Shares which does not cause the limit to be exceeded. If more than one Award is made on the same Award Date, the number of Shares which would otherwise be subject to each Award will be reduced pro rata.

16. General

16.1 Dealing Restrictions

Each relevant person will have regard to Dealing Restrictions when (in each case, as appropriate) operating, interpreting, administering, participating in and taking any and all such other action in relation to, or contemplated or envisaged by, the Plan.

16.2 Terms of employment

- 16.2.1 For the purposes of this rule 14.2, "Employee" means any employee of a Member of the Group;
- 16.2.2 The Plan shall not form part of any contract of employment between any Member of the Group and an Employee;

- 16.2.3 Unless expressly so provided in his contract of employment, an Employee has no right to be made an Award and the receipt of an Award in one year is no indication that the Participant will be made any subsequent Award;
- 16.2.4 the benefit to an Employee of participation in the Plan (including, in particular but not by way of limitation, any Awards held by him) shall not form any part of his remuneration or count as his remuneration for any purpose and shall not be pensionable;
- 16.2.5 if an Employee ceases to be employed for any reason, he shall not be entitled to compensation for the loss or diminution in value of any right or benefit or prospective right or benefit under the Plan (including, in particular but not by way of limitation, any Awards held by him which lapse by reason of his ceasing to be in Employment) whether by way of damages for unfair dismissal, wrongful dismissal, breach of contract or otherwise; and
- 16.2.6 Participants in the Plan 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 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 his employer; and
- 16.2.7 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.

16.3 No Transfer

An Award is personal to the Participant. A Participant may not transfer, assign, change or otherwise alienate an Award or any rights in respect of it. If he does, whether voluntarily or involuntarily, then it will immediately lapse. This rule does not apply to the transmission of an Award on the death of a Participant to his personal representatives.

16.4 Not pensionable

None of the benefits received under the Plan are pensionable.

16.5 Documents sent to shareholders

The Company may (but is not obliged to) send to Participants copies of any documents or notices normally sent to the holders of its Shares.

16.6 Data Protection

Any data protection policy (or policies) of the Group and/or data privacy notice(s) that are applicable to an Eligible Employee or Participant will apply to their personal data.

16.7 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 the UK or elsewhere. The Participant will be responsible for complying with any requirements he needs to fulfil in order to obtain or avoid the necessity for any such consent.

16.8 Listing

If and so long as the Plan Shares are listed on AIM and traded on the London Stock Exchange, the Company will apply for the listing of any Plan Shares issued under the Plan as soon as practicable.

16.9 Notices

16.9.1 Any notice or communication to be given to any person who is or will be eligible to be a Participant may be delivered by electronic mail, including on an intranet, or personally delivered or sent by ordinary post to such address as the Company considers appropriate.

16.9.2 Any notice to be given to the Company or its duly appointed agent, may be delivered or sent to its registered office or such other place and by such means as the Committee or its appointed agent may specify and notify Participants.

16.9.3 Notices sent electronically, will be deemed to have been received on the day after posting unless there is evidence to the contrary. Notices sent by post will be deemed to have been received 48 hours after posting within the UK and 5 days after internationally.

16.10 Third Party Rights

Nothing in the Plan confers any benefit, right or expectation on a person who is not a Participant or a Member of the Group. No such third party has any rights under the Contracts (Rights of Third Parties) Act 1999 or any equivalent local legislation, to enforce any term of this Plan.

This does not affect any other right or remedy of a third party.

16.11 Administration of the Plan

The Plan will be administered by the Committee, which has authority to make rules and regulations for the administration of the Plan. The Committee may delegate all or any of its powers under the Plan.

16.12 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 any matter relating to the Plan will be final and conclusive.

17. Tax Election

Each Award Holder agrees to enter into a joint election in respect of any Plan Shares he may acquire pursuant to an Award under section 431(1) or section 431(2) of the Income Tax (Earnings and Pensions) Act 2003 (or similar elections or statements or other declaration pursuant to such other tax legislation that may be applicable to a Participant situated in jurisdictions other than the UK), if required to do so by the Company, the Committee or the Participant's employer or former employer, on or before the Award Date, Vesting Date or exercise date, as applicable.

18. Changing the Plan and Termination

18.1 Committee's powers

Except as described in the rest of this rule, the Committee may at any time change the Plan in any way.

18.2 Shareholder approval

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

- (i) the persons to or for whom Shares may be provided under the Plan;
- (ii) the limitations on the number of Shares which may be issued under the Plan;
- (iii) the individual participation limits at set out in rule 2.4;
- (iv) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan;
- (v) the rights of a Participant in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital of the Company;
- (vi) the terms of this rule 18.2.1.

18.2.2 The Committee can change the Plan and need not obtain the approval of the Company in general meeting for any 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 obtain or maintain favourable tax, exchange control or regulatory treatment for the Company, any Subsidiary or any present or future Participant;

nor for any permitted alteration to the Performance Conditions or any other conditions imposed under rule 7.1 (Conditions, etc.).

18.3 Participant consent

If the Committee proposes an amendment to the Plan (other than a permitted alteration to the Performance Conditions or Other Conditions) which would be to the material disadvantage of Participants in respect of subsisting rights under the Plan, then:

18.3.1 the Committee will invite each so disadvantaged Participant to indicate whether or not they approve the amendment; and

18.3.2 such amendment will only take effect in respect of subsisting rights under the Plan, if the majority of the Participants who were invited and who make such an indication approve the amendment.

18.4 Schedule

The Committee may add to, vary or amend the Rules of the Plan by adding a schedule so that the Plan may operate in such manner that takes account of local legislative and regulatory treatment for Participants or for the relevant Member of the Group, provided the schedule does not, on balance, provide more advantageous benefits to Participants than the terms of the Plan.

18.5 Notice

The Committee may (but is not obliged to) give written notice of any changes made to any Participant affected.

18.6 Termination

No Award may be granted after the tenth anniversary of the adoption of the Plan (or such earlier date on which the Committee may determine the Plan will terminate). Termination will not affect subsisting rights under the Plan.

19. Governing law and jurisdiction

The laws of England and Wales govern the Plan and all Awards and their construction. The courts of England and Wales have non-exclusive jurisdiction in respect of disputes arising under or in connection with the Plan or an Award.