

# Tullow Oil plc

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## TULLOW INCENTIVE PLAN

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Approved by shareholders of the Company on 8 May 2013

Adopted by the board of the Company on 8 May 2013

Amended by the board of the Company on 13 April 2017 with authority given by shareholders of the Company for the addition of provisions relating to Deferred Options on 26 April 2017.

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

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

It is intended the first awards under the Plan will be granted in 2014 and the remuneration committee of the board of Tullow Oil plc shall have the right to decide, in its sole discretion, whether or not further awards will be granted in the future and to which employees those awards will be granted.

The detailed rules of the Plan are set out in the remainder of this document.

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## OVERVIEW

The Plan provides short term incentives (in the form of cash bonuses) and long term incentives (in the form of share awards that normally vest after 5 years) to directors of the Company and other senior executives. It is normally the only senior executive incentive plan in which they participate. Awards are made following the end of each financial year.

### 1. DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless the context otherwise requires:

**"Actual Participation Amount"** in relation to a Participant who participates in the Plan in respect of a Financial Year, means:

$M \times P \times T$

where

M is the Maximum Participation Amount in relation to that Participant

P is the participation percentage determined by the extent to which the Performance Conditions are satisfied

T is the time pro-rating percentage where, before the end of that Financial Year, either of the following occurs (T being calculated by reference to the earlier event where more than one such event occurs):

- (a) the Participant ceases to be an employee or director of a Group Member by reason of being a Good Leaver or death, in which case the time pro-rating percentage shall be calculated by reference to the number of complete months in the period commencing on the later of the first day of the Financial Year and the date in that year on which the Participant commenced employment with a Participating Company and ending on the date on which he becomes a Good Leaver or dies; or
- (b) an event occurs as mentioned in Rules 14.1 to 14.3 (*Takeovers and Other Corporate Events*), in which case the time pro-rating percentage shall be calculated by reference to the number of complete months in the period commencing on the later of first day of the Financial Year and the date in that year on which the Participant commenced employment with a Participating Company and ending on the date that the relevant event occurs;

**"Award"** means an Option, a Conditional Award or a Forfeitable Shares Award or, where the context so admits, part of such an Option, Conditional Award or Forfeitable Shares Award;

**"Board"** means the board of directors of the Company or a committee appointed by them or a duly authorised person;

**"Cash Bonus"** means a cash bonus paid or payable under the Plan;

**"Clawback"** means an obligation to repay an amount and/or a reduction in the number of Shares subject to an Award or right to acquire Shares under another plan in accordance with Rule 16;

**"Committee"** means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rule 14 (*Takeovers and Other Corporate Events*), the remuneration committee of the Board as constituted immediately before such event occurs;

"**Company**" means Tullow Oil plc (registered in England and Wales with registered number 03919249);

"**Conditional Award**" means a conditional right to acquire Shares granted under the Plan;

"**Control**" means control within the meaning of section 719 of ITEPA;

"**Dividend Equivalent**" means a benefit calculated by reference to dividends paid on Shares as described in Rule 6.6 (*Dividend Equivalents*);

"**Exercise Period**" means the period referred to in Rule 9.1 during which an Option may be exercised;

"**Financial Year**" means a financial year of the Company;

"**Forfeitable Shares**" means Shares comprised in a Forfeitable Shares Award which are subject to certain restrictions and forfeiture under the Plan;

"**Forfeitable Shares Award**" means the transfer of the beneficial interest in Forfeitable Shares to a Participant and the subsequent holding of that interest in accordance with the Plan;

"**Good Leaver**" has the meaning given to that expression in Rule 13.9;

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

"**Group Member**" means:

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

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

"**Listing Rules**" means the Listing Rules published by the United Kingdom Listing Authority;

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

"**Maximum Participation Amount**" means, in relation to a Participant who participates in the Plan in respect of a Financial Year, such amount as the Committee shall determine in accordance with Rule 3;

"**Normal Vesting Date**" means the date on which an Award normally Vests, as stated in Rule 8.1;

"**Option**" means a conditional right to acquire Shares which is designated as an option by the Committee under Rule 6.4 (*Type of Award*) and, where the context so admits, shall include a Deferred Option granted by the Committee pursuant to Rule 5.6);

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

"**Participant**" means, according to the context, an individual who is either selected for participation in the Plan in accordance with Rule 2.2 or who holds an Award including, in either case, his personal representatives;

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

"**Performance Condition**" means a condition related to performance which is specified by the Committee under Rule 4.1 (*Setting the Performance Conditions*);

"**Plan**" means the Tullow Incentive Plan as amended from time to time (and which shall include the Appendix and the Schedules to the Plan);

"**Rule**" means a rule of the Plan;

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

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

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

"**Vest**" means:

- (a) in relation to an Option; it becoming exercisable;
- (b) in relation to a Conditional Award, a Participant becoming entitled to have Shares transferred to him (or his nominee) subject to the Rules; and
- (c) in relation to a Forfeitable Shares Award, the restrictions imposed on the Forfeitable Shares under the Plan ceasing to apply

and **Vesting** shall be construed accordingly;

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

1.2 Any reference in this Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.3 Where the context admits, references to the singular include the plural and a reference to the male includes the female.

1.4 Expressions in italics, headings and any footnotes are for guidance only and do not form part of the Plan.

## 2. **SELECTION FOR PARTICIPATION**

### 2.1 **Eligibility for selection**

An individual is eligible to be selected for participation in the Plan in respect of a Financial Year only if he is, at the time of such selection, an employee of a Participating Company.

## 2.2 **Process for selection**

Individuals shall be selected for participation in the Plan in respect of a Financial Year at the discretion of the Committee.

## 3. **DETERMINATION OF THE MAXIMUM PARTICIPATION AMOUNT**

Subject to Rule 7.6 (*Individual limits*), the Committee shall, for any Financial Year in respect of which it selects an individual for participation in the Plan, and as soon as reasonably practicable in that Financial Year, determine the Maximum Participation Amount in relation to that Participant and notify him of that amount.

## 4. **PERFORMANCE CONDITIONS**

### 4.1 **Setting the Performance Conditions**

At the same time as it determines a Maximum Participation Amount in relation to a Participant pursuant to Rule 3, the Committee shall determine one or more Performance Conditions and notify him of their terms. The Performance Conditions shall, subject to the exercise of the Committee's discretion, determine the corresponding Actual Participation Amount. Any Performance Condition may:

- (a) include one or more performance measures;
- (b) include performance measures that relate to one or more of:
  - (i) the underlying and/or relative financial performance of the Company;
  - (ii) relative or absolute Total Shareholder Return (TSR);
  - (iii) earnings per share (EPS) calculated on such basis as the Committee may determine;
  - (iv) other measures of underlying financial performance of the Company or business units;
  - (v) environmental, health or safety risk management (EHS);
  - (vi) production;
  - (vii) operations;
  - (viii) projects;
  - (ix) exploration;
  - (x) specific strategic objectives;
  - (xi) any other factors considered by the Committee to be relevant.
- (c) measure performance over one or more periods of up to 3 years ending with, or comprising, the Financial Year in respect of which the Participant participates in the Plan.

#### 4.2 **Evaluating the Performance Conditions to determine the Actual Participation Amount**

The Committee shall evaluate the Performance Conditions in order to calculate the Actual Participation Amount as soon as reasonably practicable following the end of the relevant Financial Year.

If a Participant ceases to be employed by a Group Member before the end of the Financial Year in respect of which he participates in the Plan, then, unless provided to the contrary by the Performance Conditions, the extent to which the Performance Conditions have been satisfied in such circumstances shall be determined by the Committee on such reasonable basis as it decides.

### 5. **PAYMENT OF CASH BONUSES**

#### 5.1 **Eligibility**

A Participant is eligible to be paid a Cash Bonus in respect of a Financial Year only if he is, at the time of such payment, either:

- (a) an employee of a Group Member; or
- (b) a former employee of a Group Member who is eligible to receive a Cash Bonus in accordance with Rule 13 (*Leavers*) by virtue of being a Good Leaver or his death.

#### 5.2 **Amount of Cash Bonuses**

The amount of any Cash Bonus that may be paid to a Participant in respect of a Financial Year shall be determined by the Committee but shall be subject to the limit in Rule 7.6(b) (*Individual limits*) and the extent to which the relevant Performance Conditions are satisfied. For the avoidance of doubt, this shall be the case even where no Award is granted to that Participant in respect of the same Financial Year due to the operation of Rules 13.1 or 13.2 (*Leavers*) or Rules 14.1 or 14.2 (*Takeover and Other Corporate Events*).

#### 5.3 **Timing of payment**

The payment of any Cash Bonus to a Participant is at the sole discretion of the Committee, notwithstanding any extent to which the relevant Performance Conditions may have been satisfied.

A Participant may only be paid a Cash Bonus in respect of his participation in the Plan for a Financial Year once the relevant Performance Condition has been evaluated.

As soon as reasonably practicable after any exercise by the Committee of its discretion to pay a Cash Bonus to a Participant the Company shall, subject to Rules 5.4 (*Approvals and consents*) and 5.5 (*Deductions*), pay to him or procure the payment to him of that sum in cash.

#### 5.4 **Approvals and consents**

No payment shall be made pursuant to this Rule 5 unless and until it would be lawful in any relevant jurisdiction and in compliance with the remuneration policy of the Company as approved by shareholders of the Company from time to time, the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment.

## 5.5 Deductions

There shall be deducted from any payment under this Rule 5 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable.

## 5.6 Deferred Options

At any time prior to the payment of a Cash Bonus pursuant to Rule 5.3, the Committee may exercise its discretion to determine that a Participant will not receive a portion of the Cash Bonus (such portion to be determined by the Committee at its sole discretion) and instead the Participant will be granted an option, over such number of Shares with a market value (as defined in Rule 7.6(d)(ii)) equal to the specified portion of the Cash Bonus, to the nearest whole Share, as determined by the Committee ("Deferred Option").

The Option Price for a Deferred Option will be nil. Rule 6.6 (*Dividend equivalents*) will apply to a Deferred Option.

A Deferred Option shall be granted as set out in Rule 6.3 (*Timing of grant*) and Rule 6.5(a) (*Method of grant*) and shall Vest on such date(s) as the Committee shall determine at the Grant Date, but not earlier than the first anniversary of the Grant Date of the Deferred Option.

## 6. GRANT OF AWARDS

### 6.1 Eligibility

Other than in the case of a Deferred Option, a Participant is eligible to be granted an Award in respect of a Financial Year only if he is, at the time of such grant an employee of a Group Member.

The grant of any Award to a Participant is at the discretion of the Committee, notwithstanding any extent to which the relevant Performance Conditions may have been satisfied.

### 6.2 Number of Shares over which an Award is granted

The number of Shares over which a Participant may be granted an Award in respect of a Financial Year shall be determined by the Committee but shall be subject to the limit in Rule 7.6 (*Individual limits*) and the extent to which the relevant Performance Conditions have been satisfied.

### 6.3 Timing of grant

Subject to Rule 6.8 (*Approvals and consents*), an Award may only be granted:

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

### 6.4 Type of Award

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

## 6.5 **Method of grant**

An Award shall be granted as follows:

- (a) an Option or a Conditional Award shall be granted by deed executed by the Company;
- (b) if an Award is an Option, the Committee shall determine the Option Price (if any) on or before the Grant Date provided that the Committee may reduce or waive such Option Price on or prior to the exercise of the Option;
- (c) a Forfeitable Shares Award shall be granted by the procedure set out in the appendix to the Plan.

## 6.6 **Dividend Equivalents**

The Committee may decide on or before the grant of an Award that either:

- (a) a Participant (or his nominee) shall be entitled to receive a benefit determined by reference to the value of the dividends that would have been paid on the Vested Shares in respect of dividend record dates occurring during the period between the Grant Date and the date of Vesting. The Committee shall decide the basis on which the value of such dividends shall be calculated which may assume the reinvestment of dividends. The Committee may also decide at this time whether the Dividend Equivalent shall be provided to the Participant in the form of cash and/or Shares.

The Dividend Equivalent shall be provided in accordance with Rule 9.4 (*Delivery of Dividend Equivalents*); or

- (b) it shall grant an Award on terms where the number of Shares comprised in an Award shall increase by deeming dividends that would have been paid on such Shares in respect of dividend record dates occurring within the period between the Grant Date and the date of Vesting to have been reinvested in additional Shares on such terms (as to the inclusion or exclusion of any dividend tax credit (for so long as this is relevant), the price at which any such additional Shares shall be deemed to have been purchased or otherwise) as the Committee shall decide.

This Rule shall not apply in the case of a Forfeitable Shares Award under which a Participant is entitled to receive dividends.

## 6.7 **Method of satisfying Awards**

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

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

The Committee may decide to change the way in which it is intended that an Award granted as an Option or a Conditional Award may be satisfied after it has been granted, having regard to the provisions of Rule 7 (*Limits*).

## 6.8 **Approvals and consents**

The grant of any Award shall be subject to obtaining any approval or consent required under the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers, or any other UK or overseas regulation or enactment. No award shall be granted unless and until it would be lawful in any relevant jurisdiction and in compliance with the remuneration policy of the Company as approved by shareholders of the Company from time to time, the Listing Rules, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment.

## 6.9 **Non-transferability and bankruptcy**

An Award granted to any person:

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

## 7. **LIMITS**

### 7.1 **5 per cent. in 10 years limit**

An Award shall not be granted in any calendar year if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 7.3) in the period of 10 calendar years ending with that calendar year under the Plan and under any other executive share plan adopted by the Company to exceed such number as represents 5 per cent. of the ordinary share capital of the Company in issue at that time. For this purpose, the Tullow Oil 2000 Executive Share Option Scheme and the Tullow Oil 2010 Share Option Plan shall not be regarded as executive share plans on the basis that participation in them has been available to the vast majority of employees of the Company and its Subsidiaries.

### 7.2 **10 per cent. in 10 years limit**

An Award shall not be granted in any calendar year if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 7.3) in the period of 10 calendar years ending with that calendar year under the Plan and under any other employee share plan adopted by the Company to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

### 7.3 **Meaning of "allocated"**

For the purposes of Rules 7.1 and 7.2:

- (a) Shares are allocated:
  - (i) when an option, award or other contractual right to acquire unissued Shares or treasury Shares is granted;
  - (ii) where Shares are issued or treasury Shares are transferred otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Shares are issued or treasury Shares transferred;

- (b) any Shares which have been issued or which may be issued (or any Shares transferred out of treasury or which may be transferred out of treasury) to any trustees to satisfy the exercise of any option, award or other contractual right granted under any employee share plan shall count as allocated unless they are already treated as allocated under this Rule; and
- (c) for the avoidance of doubt, existing Shares other than treasury Shares that are transferred or over which options, awards or other contractual rights are granted shall not count as allocated.

#### 7.4 **Post-grant events affecting numbers of "allocated" Shares**

For the purposes of Rule 7.3:

- (a) where:
  - (i) any option, award or other contractual right to acquire unissued Shares or treasury Shares is released or lapses (whether in whole or in part); or
  - (ii) after the grant of an option, award or other contractual right the Committee determines that:
    - (i) it shall be satisfied by the payment of cash equal to the gain made on its vesting or exercise; or
    - (ii) it shall be satisfied by the transfer of existing Shares (other than Shares transferred out of treasury)

the unissued Shares or treasury Shares which consequently cease to be subject to the option, award or other contractual right shall not count as allocated; and
- (b) the number of Shares allocated in respect of an option, award or other contractual right shall be such number as the Committee shall reasonably determine from time to time.

#### 7.5 **Changes to investor guidelines**

Treasury Shares shall cease to count as allocated Shares for the purposes of Rule 7.3 if institutional investor guidelines cease to require such Shares to be so counted.

#### 7.6 **Individual limits**

- (a) A Participant's Maximum Participation Amount shall not exceed 600% of his salary (as defined in this Rule), or 400% of his salary in the case of a Participant who is an executive director.
- (b) The amount of any Cash Bonus (which shall be taken to include, where relevant, the market value of any Deferred Option granted to a Participant pursuant to Rule 5.6) paid to a Participant in respect of a Financial Year shall not exceed the lower of:
  - (i) 100% of salary (calculated as set out in this Rule); and
  - (ii) half of the Actual Participation Amount

provided that, where, in order to calculate the Actual Participation Amount, a time pro-rating percentage (as referred to in the definition of that term) is used,

the percentage of salary referred to in sub-paragraph (i) above shall be multiplied by the same pro-rating percentage.

- (c) The market value (as defined in Rule 7.6(d)) of Shares over which an Award may be granted to a Participant in respect of a Financial Year shall not exceed the Actual Participation Amount less the amount of any Cash Bonus (which shall be taken to include, where relevant, the market value of any Deferred Option granted to a Participant pursuant to Rule 5.6) payable to him in respect of that Financial Year.
- (d) For the purpose of this Rule 7.6:
  - (i) an employee's **salary** shall be taken to be his base salary (excluding benefits in kind), expressed as an annual rate payable by the relevant Group Member(s) to him on the first day of the Financial Year in which an Award is granted (or such other date as the Committee shall determine). Where a payment of salary is made in a currency other than sterling, the payment shall be treated as equal to the equivalent amount of sterling determined by using any rate of exchange which the Committee may reasonably select; and
  - (ii) the **market value** of the Shares over which an Award is to be granted shall be taken to be an amount equal to the middle-market quotation of such Shares (as derived from the London Stock Exchange Daily Official List) on the dealing day before the Grant Date or, if the Committee so determines, the average of the middle market quotations during a period determined by the Committee not exceeding the period of 5 dealing days ending with the dealing day before the Grant Date provided such dealing day(s) do(es) not fall within any period when dealings in Shares are prohibited under the Company's share dealing code.

#### 7.7 **Effect of limits**

Any Award shall be limited and take effect so that the limits in this Rule 7 are complied with.

#### 7.8 **Restriction on use of unissued Shares and treasury Shares**

No Shares may be issued or treasury Shares transferred to satisfy the exercise of any Option or the Vesting of any Conditional Award to the extent that such issue or transfer would cause the number of Shares allocated (as defined in Rule 7.3 and adjusted under Rule 7.4) to exceed the limits in Rules 7.1 (*5 per cent. in 10 years limit*) and 7.2 (*10 per cent. in 10 years limit*) except where there is a variation of share capital of the Company which results in the number of Shares so allocated exceeding such limits solely by virtue of that variation.

### 8. **VESTING OF AWARDS**

#### 8.1 **Timing of Vesting**

Subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*), an Award (or part of an Award) shall Vest on the fifth anniversary of the Grant Date (or such other date(s) as the Committee shall determine at the Grant Date, being, other than in the case of a Deferred Option granted pursuant to Rule 5.6, not earlier than the third anniversary of the Grant Date) except where earlier Vesting occurs under Rule 13 (*Leavers*) or Rule 14 (*Takeovers and Other Corporate Events*).

## 8.2 **Restrictions on Vesting: regulatory and tax issues**

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

- (a) the Vesting of the Award and, as appropriate, the transfer of Shares after such Vesting would be lawful in all relevant jurisdictions and in compliance with the remuneration policy of the Company, as approved by shareholders from time to time, the Listing Rules, any relevant Share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;
- (b) if, on the Vesting of the Award, a Tax Liability would arise by virtue of such Vesting and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 8.4 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the Vesting of the Award; and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to dis-apply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 8.2, references to Group Member include any former Group Member.

## 8.3 **Tax liability before Vesting**

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

For the purposes of this Rule 8.3, references to Group Member include any former Group Member.

## 8.4 **Payment of Tax Liability**

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

## 9. **CONSEQUENCES OF VESTING**

### 9.1 **Options**

An Option shall, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercisable in respect of Vested Shares during the period commencing on the date on which the Option Vests and ending on the day before the

tenth anniversary of the Grant Date (or such shorter period as shall prevent a Tax Liability arising on the grant of the Option or as the Committee shall determine on or before the Grant Date) subject to it lapsing earlier under Rule 13 (*Leavers*) or Rule 14 (*Takeovers and Other Corporate Events*).

## 9.2 **Conditional Awards**

On or as soon as reasonably practicable after the Vesting of a Conditional Award, the Board shall, subject to Rule 8.4 (*Payment of Tax Liability*) and any arrangement made under Rules 8.2(b), 8.2(c) and 8.2(d) (*Restrictions on Vesting: regulatory and tax issues*), procure the transfer of the Vested Shares to the Participant (or a nominee for him).

## 9.3 **Forfeitable Shares Award**

On the Vesting of a Forfeitable Shares Award, the Vested Shares shall cease to be subject to the restrictions imposed on the Forfeitable Shares under the Plan and the Board shall, subject to Rule 8.4 (*Payment of Tax Liability*) and any arrangement made under Rules 8.2(b), 8.2(c) and 8.2(d) (*Restrictions on Vesting: regulatory and tax issues*), transfer or procure the transfer of:

- (a) the legal title to the Vested Shares; and/or
- (b) any documents of title relating to the Vested Shares

to the Participant (or a nominee for him) on or as soon as reasonably practicable after Vesting.

## 9.4 **Delivery of Dividend Equivalents**

If the Committee decided under Rule 6.6 (*Dividend Equivalents*) that a Participant would be entitled to a Dividend Equivalent in relation to Shares under his Award but did not decide at that time whether the Dividend Equivalent would be provided in the form of cash and/or Shares, then the Committee shall make such decision on or before the Vesting of the Award.

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

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

- (a) in the case of a cash payment, shall be subject to such deductions (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable; or
- (b) in the case of a provision of Shares, Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 8.4 (*Payment of Tax Liability*) shall apply as if such provision was the Vesting of an Award.

## 10. **EXERCISE OF OPTIONS**

### 10.1 **Restrictions on the exercise of an Option: regulatory and tax issues**

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

- (a) the exercise of the Option and the issue or transfer of Shares after such exercise would be lawful in all relevant jurisdictions and in compliance with the

remuneration policy of the Company, as approved by shareholders from time to time, the Listing Rules, any relevant Share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;

- (b) if, on the exercise of the Option, a Tax Liability would arise by virtue of such exercise and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 10.4 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member shall receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the exercise of the Option; and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to dis-apply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 10.1, references to Group Member include any former Group Member.

#### 10.2 **Exercise in whole or part**

An Option may be exercised in full or in multiples of 1,000 Shares unless it is being exercised to the full extent outstanding.

#### 10.3 **Method of exercise**

The exercise of any Option shall be effected in the form and manner prescribed by the Board. Unless the Board, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), take effect only when the Company receives it and payment of any Option Price or an undertaking to pay that amount.

#### 10.4 **Payment of Tax Liability**

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

#### 10.5 **Transfer and allotment timetable**

As soon as reasonably practicable after an Option has been exercised, the Company shall, subject to Rule 10.4 (*Payment of Tax Liability*) and any arrangement made under Rules 10.1(b), 10.1(c) and 10.1(d) (*Restrictions on the exercise of an Option: regulatory and tax issues*), transfer or procure the transfer to him (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Shares in respect of which the Option has been exercised.

#### 10.6 **Lapse of Options**

An Option which has become exercisable shall lapse at the end of the Exercise Period to the extent it has not been exercised unless it lapses earlier under Rules 13 (*Leavers*) and Rules 14 (*Takeovers and Other Corporate Events*).

## 11. CASH ALTERNATIVE

### 11.1 Committee determination

Where an Option has been exercised or where a Conditional Award Vests and Vested Shares have not yet been allotted or transferred to the Participant (or his nominee), the Committee may determine that, in substitution for his right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of that right to acquire those Shares), he shall be paid by way of additional employment income a sum equal to the cash equivalent (as defined in Rule 11.3) of that number of Shares in accordance with the following provisions of this Rule 11.

### 11.2 Limitation on use of this Rule

Rule 11.1 shall not apply in relation to an Award made to a Participant in any jurisdiction where the presence of Rule 11.1 would cause:

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

provided that this Rule 11.2 shall only apply if its application would prevent the occurrence of a consequence referred to in (a) or (b) above.

### 11.3 Cash equivalent

For the purpose of this Rule 11, the cash equivalent of a Share is:

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

Market value on any day shall be determined as follows:

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

### 11.4 Payment of cash equivalent

As soon as reasonably practicable after the Committee has determined under Rule 11.1 that a Participant shall be paid a sum in substitution for his right to acquire any number of Vested Shares the Company shall pay to him or procure the payment to him of that sum in cash.

### 11.5 Deductions

There shall be deducted from any payment under this Rule 11 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable.

## 12. **LAPSE OF AWARDS**

An Award shall lapse in accordance with the Rules.

On the lapse of a Forfeitable Shares Award, the beneficial interest (and, if appropriate, the legal interest) in the Forfeitable Shares subject to such Award shall be transferred for no (or nominal) consideration to any person specified by the Board (which, for the avoidance of doubt, shall include the trustee(s) of an employee benefit trust).

## 13. **LEAVERS**

### 13.1 **Good Leavers and death during the Financial Year in respect of which a Participant participates in the Plan**

If, during a Financial Year in respect of which he has been selected for participation in the Plan, a Participant becomes a Good Leaver or dies, he may, if the Committee so determines, be paid a Cash Bonus (and/or, if the Committee so determines, be granted a Deferred Option pursuant to Rule 5.6) following the end of that Financial Year as though his employment had not ceased and, in this case, the calculation of the Actual Participation Amount shall include a time pro-rating percentage in accordance with the definition of the term Actual Participation Amount in Rule 1.1. However, for the avoidance of doubt, no Award (other than as determined by the Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him (or his personal representatives).

### 13.2 **Good Leavers and death following the end of the Financial Year but before a Cash Bonus is paid, a Deferred Option is granted or an Award is granted in respect of that Financial Year**

If, following the end of a Financial Year in respect of which he has been selected for participation in the Plan, but before he has received a Cash Bonus (and/or if the Committee so determines, he is granted a Deferred Option pursuant to Rule 5.6), a Participant becomes a Good Leaver or dies, he may, if the Committee so determines, be paid the Cash Bonus (and/or be granted a Deferred Option) following the end of that Financial Year as though his employment has not ceased.

However, for the avoidance of doubt, no Award (other than as determined by the Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him (or his personal representatives).

### 13.3 **Awards: Good Leavers before the Normal Vesting Date**

If, before the Normal Vesting Date, a Participant becomes a Good Leaver then:

- (a) subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), his Award shall Vest on the Normal Vesting Date or, if the Participant becomes a Good Leaver by reason of retirement (as referred to in Rule 13.9), on the earlier of the Normal Vesting Date and 3 years after such retirement; unless
- (b) the Committee decides that, subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*), his Award shall Vest on the date he becomes a Good Leaver; and

an Award in the form of an Option which Vests under (a) or (b) above may, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), Rule 13.10 (*Death following cessation of employment*) and Rule 14 (*Takeovers and Other Corporate Events*), be exercised in respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

**13.4 Awards: Good Leavers on or after the Normal Vesting Date**

If a Participant who holds an Option becomes a Good Leaver on or after the Normal Vesting Date then, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), that Option shall continue to be exercisable for a period of 12 months commencing on the date of cessation (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

**13.5 Awards: Ceasing employment due to the Participant's death before the Normal Vesting Date**

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

- (a) subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*), his Award shall Vest on the date of his death; unless
- (b) the Committee decides, and subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), that his Award shall Vest on the Normal Vesting Date; and

an Award in the form of an Option which Vests under (a) or (b) above may, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), be exercised in respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

**13.6 Cessation of employment due to death on or after the Normal Vesting Date**

If a Participant who holds an Option ceases to be a director or employee of a Group Member on or after the Normal Vesting Date by reason of death then, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), that Option shall continue to be exercisable for a period of 12 months commencing on the date of cessation (or, if shorter, until the expiry of the Exercise Period) and to the extent that the Option is not exercised, it shall lapse at the end of that period.

**13.7 Cessation of employment in other circumstances**

If a Participant ceases to be a director or employee of a Group Member other than as a Good Leaver or by reason of his death, then any Award held by him shall lapse immediately on such cessation. Subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14 (*Take-overs and Other Corporate Events*) a Deferred Option shall continue to be exercisable for a period of 12 months commencing on the date of cessation (or, if shorter, until the expiry of the Exercise Period) and to the extent that the Option is not exercised, it shall lapse at the end of that period.

**13.8 Meaning of ceasing employment**

A Participant shall not be treated for the purposes of this Rule 13 as ceasing to be a director or employee of a Group Member until such time as he is no longer a director or employee of any Group Member. If any Participant ceases to be such a director or employee before the Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work while not acting as an employee or director.

The reason for the termination of office or employment of a Participant shall be determined by reference to Rules 13.1 to 13.7 regardless of whether such termination was lawful or unlawful.

### 13.9 **Meaning of being a Good Leaver**

A Participant is a Good Leaver if he ceases to be a director or employee of a Group Member by reason of:

- (a) retirement with the agreement of his employer;
- (b) injury or disability evidenced to the satisfaction of the Committee;
- (c) redundancy (within the meaning of the Employment Rights Act 1996) or any overseas equivalent;
- (d) his office or employment being with either a company which ceases to be a Group Member or relating to a business or part of a business which is transferred to a person who is not a Group Member; or
- (e) for any other reason, if the Committee so decides (in which case, the Vesting of the Award in accordance with this Rule may (other than in the case of a Deferred Option granted pursuant to Rule 5.6) be to such lesser extent than would otherwise be the case and be subject to such conditions as the Committee may determine).

### 13.10 **Death following cessation of employment**

If a Participant dies following cessation of employment in circumstances where his Award did not lapse but it has not Vested by the time of his death, it shall Vest immediately on his death.

An Award in the form of an Option that Vests under this Rule may, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14 (*Takeovers and Other Corporate Events*), be exercised in respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period.

## 14. **TAKEOVERS AND OTHER CORPORATE EVENTS**

### 14.1 **General offers**

If any person (or group of persons acting in concert):

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

the Board shall within 7 days of becoming aware of that event notify every Participant of it and:

- (i) if that event occurred during a Financial Year in respect of which a Participant has been selected for participation in the Plan, he shall, unless Rule 14.4 (*Internal reorganisations*) applies, be paid a Cash Bonus (and/or, if the Committee so determines, be granted a Deferred Option pursuant to Rule 5.6) as soon as practicable thereafter of an amount determined by the Actual Participation Amount. However, for the avoidance of doubt no Award (other

than, as determined by Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him following such notice;

- (ii) if that event occurred following the end of a Financial Year in respect of which a Participant was selected for participation in the Plan, but before he has received a Cash Bonus (and/or, if the Committee so determines, he is granted a Deferred Option pursuant to Rule 5.6), he shall, unless Rule 14.4 (*Internal reorganisations*) applies, be paid a Cash Bonus and/or be granted a Deferred Option as soon as practicable thereafter of an amount determined by the Actual Participation Amount. However, for the avoidance of doubt no Award (other than, as determined by Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him following such notice; and
- (iii) subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 14.4 (*Internal reorganisations*), all Awards shall Vest on the date of such notification to the extent they have not Vested and any Option may, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercised within one month of the date of such notification (or, if shorter, until the expiry of the Exercise Period), but to the extent that an Option is not exercised within that period, that Option shall (regardless of any other provision of the Plan) lapse at the end of that period.

#### 14.2 Schemes of arrangement and winding up

In the event that:

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

then:

- (i) if that event occurred during a Financial Year in respect of which a Participant has been selected for participation in the Plan, he shall, unless Rule 14.4 (*Internal reorganisations*) applies, be paid a Cash Bonus (and/or, if the Committee so determines be granted a Deferred Option pursuant to Rule 5.6) as soon as practicable thereafter of an amount determined by the Actual Participation Amount. However, for the avoidance of doubt, no Award (other than, as determined by the Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him following such event;
- (ii) if that event occurred following the end of a Financial Year in respect of which a Participant was selected for participation in the Plan, but before he has received a Cash Bonus (and/or if the Committee so determines, he is granted a Deferred Option, pursuant to Rule 5.6), he shall, unless Rule 14.4 (*Internal reorganisations*) applies, be paid a Cash Bonus (and/or be granted a Deferred Option) as soon as practicable thereafter of an amount determined by the Actual Participation Amount. However, for the avoidance of doubt, no Award (other than, as determined by the Committee pursuant to Rule 5.6, a Deferred Option) shall be granted to him following such event; and

- (iii) all Awards shall, subject to Rule 8.2 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 14.4 (*Internal reorganisations*), Vest on the date of such event to the extent they have not Vested.

If an event as described in this Rule occurs then an Option may, subject to Rule 10.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 14.4 (*Internal reorganisations*), be exercised within one month of such event (or, if shorter, until the expiry of the Exercise Period), but to the extent that the Option is not exercised within that period, it shall (regardless of any other provision of the Plan) lapse at the end of that period.

#### 14.3 Demergers and similar events

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

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 13 (*Leavers*), his Award Vests if it has not already Vested and/or, if relevant, his Option may, subject to Rule 10.6 (*Lapse of Options*), be exercised on such terms as the Committee may determine and during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine and, if the Award is an Option, it shall (regardless of any other provision of the Plan) lapse at the end of that period to the extent unexercised;
- (b) if an Award Vests, or an Option is exercised, conditional upon the Relevant Event and such event does not occur then the conditional Vesting or exercise shall not be effective and the Award shall continue to subsist.

#### 14.4 Internal reorganisations

In the event that:

- (a) a company (the "Acquiring Company") is expected to obtain Control of the Company as a result of an offer referred to in Rule 14.1 (*General offers*) or a compromise or arrangement referred to in Rule 14.2(a) (*Schemes of arrangement and winding up*); and
- (b) at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company

then Performance Conditions applying to the Financial Year in which the event occurs shall continue unless the Committee decides otherwise and the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 14.1 or Rule 14.2 but shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the Acquiring Company or some other company and that any Option which has previously Vested and remains exercisable shall be automatically surrendered in consideration for the grant of a new Option which the Committee determines is equivalent to the Option it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules shall apply to any new award or option granted under this Rule 14.4 as if references to Shares were references to shares over which the new award or option is granted and references to the Company were references to the company whose shares are subject to the new award or option.

## 15. **ADJUSTMENT OF AWARDS**

### 15.1 **General rule**

In the event of:

- (a) any variation of the share capital of the Company; or
- (b) a demerger, special dividend or other similar event which affects the market price of Shares to a material extent (if Rule 14.3 does not apply),

the Committee may make such adjustments as it considers appropriate under Rule 15.2 (*Method of adjustment*).

### 15.2 **Method of adjustment**

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

- (a) the number of Shares comprised in an Award (or Deferred Option);
- (b) subject to Rule 15.3 (*Adjustment below nominal value*), any Option Price; and
- (c) where any Award has Vested or Option has been exercised but no Shares have been transferred or allotted after such Vesting or exercise, the number of Shares which may be so transferred or allotted and (if relevant and subject to Rule 15.3 (*Adjustment below nominal value*)) the Option Price.

### 15.3 **Adjustment below nominal value**

An adjustment under Rule 15.2 may have the effect of reducing the price at which Shares may be subscribed for on the exercise of an Option to less than their nominal value, but only if and to the extent that the Board is authorised:

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

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

## 16. **CLAWBACK**

### 16.1 **Timing of decision to apply Clawback**

Where there has been a clawback event (determined in accordance with this Rule) in relation to a Cash Bonus paid or an Award granted to a Participant (in this Rule 16 referred to as the "relevant individual") then the Committee may decide at any time within 5 years of the end of the Financial Year in respect of which that Cash Bonus was paid to him or an Award was granted to him to apply Clawback to the Cash Bonus and/or Award.

### 16.2 **Clawback events**

There shall be a Clawback event in relation to a Cash Bonus, Award or Deferred Option if one or more of the following applies:

(a) the Committee forms the view that, for whatever reason, the Company materially misstated:

(i) its financial results; or

(ii) its oil or gas reserves

and in, either case, that such misstatement resulted either directly or indirectly to:

(iii) the payment of a Cash Bonus of a greater amount; or

(iv) the grant of an Award (which, for the avoidance of doubt shall include the grant of a Deferred Option pursuant to Rule 5.6) over a greater number of Shares

than would have been the case had that misstatement not been made;

(b) the Committee forms the view that in assessing any Performance Condition and/or any other condition relevant to the determination of the amount of a Cash Bonus or the grant of an Award (which, for the avoidance of doubt shall include the grant of a Deferred Option pursuant to Rule 5.6) such assessment was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in the payment of a larger Cash Bonus or the grant of an Award (or a Deferred Option) over more Shares than would have been the case had that error not been made;

(c) the Committee forms the view that a catastrophic failure of environmental, health or safety (EHS) risk management has occurred; or

(d) the relevant individual ceases to be a director or employee of a Group Member as a result of misconduct on the part of that individual,

then the Committee may decide to apply Clawback to the relevant Cash Bonus, Award or Deferred Option in accordance with Rule 16.4.

### 16.3 **Amount or number of Shares to be subject to Clawback**

(a) Where the Committee decides to apply Clawback to a Cash Bonus, an Award or Deferred Option and the Clawback event is as referred to in Rules 16.2(a) or (b) then:

(i) where, at that time, the Cash Bonus has been paid to the relevant individual or Shares have been acquired by him pursuant to the Award or Deferred Option, the Committee shall decide on the amount to be subject to Clawback (the "Clawback amount") which shall be all or part of the additional value which the Committee considers has been received by him (in the case where Shares have been acquired pursuant to an Award, or a Deferred Option, this shall be the middle market quotation as derived from the London Stock Exchange Daily Official List for the date on which the Shares were acquired less any amount paid for them unless the Committee decides to use a different basis of valuation); and

(ii) where, at that time, the Award or Deferred Option remains outstanding, the number of Shares to be subject to Clawback (the "excess Shares") shall be such number which the Committee considers that the Award or Deferred Option would not have been granted over but for the Clawback event (adjusted as considered

appropriate by the Committee where the Award or Deferred Option has been adjusted under Rule 15 (*Adjustment of Awards*)).

- (b) Where the Clawback event is as referred to in Rules 16.2(c) or 16.2(d), the amount to be subject to Clawback shall be such amount as the Committee decides is appropriate.
- (c) For the avoidance of doubt, where the relevant individual has received his Cash Bonus or Shares under an Award or Deferred Option, the Committee may (but shall not be obliged to) decide that the Clawback amount shall take into account any tax and/or social security paid and/or recoverable by the relevant individual in relation to that Clawback amount.

#### 16.4 **Satisfaction of Clawback**

Clawback shall be satisfied as set out in paragraphs (a), (b) and/or (c) below:

- (a) where Clawback applies to an Award or Deferred Option by virtue of a Clawback event as referred to in Rules 16.2(a) or (b) and the number of Shares remaining subject to that Award or Deferred Option is not less than the number of excess Shares (determined under Rule 16.3(a)(ii)), the number of Shares subject to that Award or Deferred Option shall be reduced by the number of excess Shares (including, if appropriate, reducing to it to zero);
- (b) in any other case, the Committee may reduce (including, if appropriate, reducing to zero) one or more of the following elements of the remuneration of the relevant individual:
  - (i) the amount of any other Cash Bonus or any cash bonus which would be payable to the relevant individual on or after 8 May 2013 under any other bonus plan operated by any Group Member; and/or
  - (ii) the extent to which any Awards or Deferred Options or other rights to acquire Shares granted to the relevant individual on or after 8 May 2013 under any share incentive plan (other than any deferred bonus plan (not approved by the Company's shareholders) and any share plan approved by HM Revenue & Customs under ITEPA or, which meets the requirements for a tax-advantaged share plan pursuant to relevant provisions of ITEPA) operated by any Group Member vest or become exercisable notwithstanding the extent to which any conditions imposed on such rights to acquire Shares have been satisfied; and/or
  - (iii) the number of Shares subject to any vested but unexercised Award or Deferred Option or right to acquire Shares granted to the relevant individual on or after 8 May 2013 under any share incentive plan (other than the Plan, any deferred bonus plan (not approved by the Company's shareholders) and any plan approved by HM Revenue & Customs under ITEPA or, which meets the requirements for a tax-advantaged share plan pursuant to relevant provisions of ITEPA) operated by any Group Member;
- (c) the Committee may require the relevant individual to pay to such Group Member as the Committee may direct, and on such terms as the Committee may direct (including, but without limitation to, on terms that the relevant amount is to be deducted from the relevant individual's salary or from any other payment to be made to the relevant individual by any Group Member), such amount as is required for the Clawback to be satisfied in full.

**16.5 Reduction in Awards to give effect to clawback provisions in other plans**

The Committee may decide at any time to reduce the number of Shares subject to an Award or a Deferred Option (including, if appropriate, reducing to zero) to give effect to a clawback provision of any form contained in any incentive plan (other than the Plan) or any bonus plan operated by any Group Member. The value of the reduction shall be in accordance with the terms of the clawback provision in the relevant plan or, in the absence of any such term, on such basis as the Committee, acting fairly and reasonably, decides is appropriate.

**17. ALTERATIONS**

**17.1 General rule on alterations**

Except as described in Rule 17.2 (*Shareholder approval*) and Rule 17.4 (*Alterations to disadvantage of Participants*), the Committee may at any time alter the Plan or the terms of any Award.

**17.2 Shareholder approval**

Except as described in Rule 17.3 (*Exceptions to shareholder approval*), no alteration to the advantage of a Participant shall be made under Rule 17.1 to the provisions concerning:

- (a) eligibility;
- (b) the individual limits on participation;
- (c) the overall limits on the issue of Shares or the transfer of treasury Shares;
- (d) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Plan;
- (e) the adjustments that may be made in the event of any variation of capital; and
- (f) the terms of this Rule 17.2 (*Shareholder approval*),

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

**17.3 Exceptions to shareholder approval**

Rule 17.2 (*Shareholder approval*) shall not apply to:

- (a) any minor alteration to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
- (b) any alteration relating to the Performance Conditions made under Rule 17.5 (*Alterations to a Performance Condition*).

**17.4 Alterations to disadvantage of Participants**

No alteration to the material disadvantage of Participants (other than a change to any Performance Condition) shall be made under Rule 17.1 (*General rule on alterations*) unless:

- (a) the Board shall have invited every relevant Participant to indicate whether or not he approves the alteration; and

- (b) the alteration is approved by a majority of those Participants who have given such an indication.

#### 17.5 **Alterations to a Performance Condition**

The Committee (subject, if appropriate, to the remuneration policy of the Company, as approved by shareholders from time to time) may amend any Performance Condition without prior shareholder approval if:

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

### 18. **MISCELLANEOUS**

#### 18.1 **Employment**

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

#### 18.2 **Disputes**

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

#### 18.3 **Exercise of powers and discretion**

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

#### 18.4 **Share rights**

Where Vested Shares are transferred to Participants (or their nominees) or, in the case of Forfeitable Shares, released from their restrictions under the Plan, Participants (or their nominees) shall be entitled to all rights attaching to such Shares by reference to a record date on or after the date of such transfer or release of such restrictions.

#### 18.5 **Notices**

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

- (a) by personal delivery or by sending the same by post, in the case of a company to its registered office, and in the case of a Participant to his last known address, or, where he is a director or employee of a Group Member, either to

his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment;

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

#### 18.6 **Third parties**

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

#### 18.7 **Benefits not pensionable**

Benefits provided under the Plan shall not be pensionable.

#### 18.8 **Data Protection**

Each Participant consents to the collection, processing and transfer of his personal data for any purpose relating to the operation of the Plan. This includes:

- (a) providing personal data to any Group Member and any third party such as trustees of any employee benefit trust, administrators of the Plan, registrars, brokers and any of their respective agents;
- (b) processing of personal data by any such Group Member or third party;
- (c) transferring personal data to a country outside the European Economic Area (including a country which does not have data protection laws equivalent to those prevailing in the European Economic Area); and
- (d) providing personal data to potential purchasers of the Company, the Participant's employer or the business in which the Participant works.

#### 18.9 **Governing law**

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

## APPENDIX

### GRANT OF A FORFEITABLE SHARES AWARD

On or before the grant of a Forfeitable Shares Award, each Participant selected for such an Award must enter into an agreement with the Company under the terms of which the Participant agrees in respect of the Shares comprised in the Award at the Grant Date:

- (a) to have full beneficial ownership of the Shares;
- (b) unless the Committee decides otherwise, to waive his right to all cash and scrip dividends on his Forfeitable Shares until Vesting;
- (c) that he will not assign, transfer, charge or otherwise dispose of any Forfeitable Shares or any interest in such Forfeitable Shares until Vesting save as otherwise required by the Rules;
- (d) if required by the Committee, to enter into any elections under Part 7 of ITEPA (Employment income: elections to dis-apply tax charge on restricted securities) or any similar arrangements in any overseas jurisdiction, and (where permitted in the relevant jurisdiction) to enter into such arrangements as the Committee requires to satisfy a Group Member's liability to social security contributions in relation to his Forfeitable Shares; and
- (e) to sign any documentation to give effect to the terms of the Forfeitable Shares Award.

The date of such agreement will be the Grant Date of the Forfeitable Shares Award.

On the Grant Date either the legal ownership of the Forfeitable Shares shall be held on the Participant's behalf by a nominee as chosen from time to time by the Committee or the Participant shall deposit the Share certificate (or any other document of title) relating to the Forfeitable Shares together with a signed but otherwise uncompleted instrument of transfer with such person as the Committee may from time to time decide.

Only existing Shares which are not treasury Shares may be used for Forfeitable Shares Awards. No unissued Shares may be used for Forfeitable Shares Awards.

## SCHEDULE 1

### CASH CONDITIONAL AWARDS

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

1. The Committee may grant or procure the grant of a Cash Conditional Award.
2. Each Cash Conditional Award shall relate to a given number of notional Shares.
3. On the Vesting of the Cash Conditional Award the holder of that Award shall be entitled to a cash sum which shall be equal to the "Cash Value" of the notional Vested Shares, where the Cash Value of a notional Share is the market value of a Share on the date of Vesting of the Cash Conditional Award. For the purposes of this Schedule, the market value of a Share on any day shall be determined in accordance with Rule 11.3 (*Cash equivalent*).
4. The cash sum payable under paragraph 3 above shall be paid by the employer of the Participant as soon as practicable after the Vesting of the Cash Conditional Award, net of any deductions (on account of tax or similar liabilities) as may be required by law.
5. For the avoidance of doubt, a Cash Conditional Award shall not confer any right on the holder of such an Award to receive Shares or any interest in Shares.

## SCHEDULE 2

### PHANTOM OPTIONS

The Rules of the Plan shall apply to a right (a "Phantom Option") to receive a cash sum granted or to be granted under this Schedule as if it was an Option, except as set out in this Schedule. Where there is any conflict between the Rules and this Schedule, the terms of this Schedule shall prevail.

1. The Committee may grant or procure the grant of a Phantom Option.
2. Each Phantom Option shall relate to a given number of notional Shares.
3. On the exercise of the Phantom Option the holder of that Award shall be entitled to a cash sum which shall be equal to the "Cash Value" of the notional Shares in respect of which the Phantom Option is exercised, where the Cash Value of a notional Share is the market value of a Share on the date of exercise of the Phantom Option. For the purposes of this Schedule, the market value of a Share on any day shall be determined in accordance with Rule 11.3 (*Cash equivalent*).
4. The cash sum payable under paragraph 3 above shall be paid by the employer of the Participant as soon as practicable after the exercise of the Phantom Option, net of any deductions (on account of tax or similar liabilities) as may be required by law.
5. For the avoidance of doubt, a Phantom Option shall not confer any right on the holder of such an Award to receive Shares or any interest in Shares.