

[DRAFT DOCUMENT SUITABLE FOR SMALLER COMPANIES]

[XYZ LIMITED]

DEED of TRUST and RULES

of

[THE XYZ LIMITED]

**Share Incentive Plan
adopted by resolution of [XYZ Limited]**

on

[_____]

THIS DEED is made on []

BETWEEN:

1. "The Company": []
2. "The Participating Companies": the Company and such other companies as shall pursuant to clause [] of this Deed subsequently enter into a deed of adherence (as provided in clause 15 of this Deed)
3. "The Original Trustee": []

RECITALS

- (1) The Company, the Participating Companies and the Original Trustee intend to establish by the execution of this Deed a trust for the employee share ownership plan to be known as [] which satisfies the provisions of Schedule 8 to the Finance Act 2000.
- (2) The Original Trustee has agreed to act as the first trustee of this Deed and the Plan.

OPERATIVE PROVISIONS

1. Definitions and Interpretations

1.1. In this Deed (including the Recitals and Schedules) unless the context otherwise requires, each of the following words and expressions shall have the meaning respectively shown opposite it below:

- 1.1.1. "Accumulation Period" in relation to Partnership Shares, the period during which the Trustee accumulates a Qualifying Employee's Partnership Share Money before acquiring Partnership Shares or repaying it to the employee
- 1.1.2. "Acquisition Date"
 - (a) in relation to Partnership Shares, where there is no Accumulation Period, the meaning given by paragraph 40(2) of the Schedule
 - (b) in relation to Partnership Shares, where there is an Accumulation Period, the meaning given by paragraph 42(3) of the Schedule; and
 - (c) in relation to Dividend Shares, the meaning given by paragraph 56(3) of the Schedule
- 1.1.3. "Associated Company" the same meaning as in section 416 of ICTA 1988
- 1.1.4. "Award Date" in relation to Free Shares or Matching Shares, the date on which such Shares are awarded

1.1.5.	“Award”	<p>(a) in relation to Free Shares and Matching Shares, the appropriation of Free Shares and Matching Shares in accordance with the Plan; and</p> <p>(b) in relation to Partnership Shares, the acquisition of Partnership Shares on behalf of Qualifying Employees in accordance with the Plan</p>
1.1.6.	“Capital Receipt”	the same meaning as in paragraph 79 of the Schedule
1.1.7.	“Close Company”	the same meaning as in section 414 of ICTA 1988
1.1.8.	“the Company”	[]
1.1.9.	“Connected Company”	the same meaning as in paragraph 16(4) of the Schedule
1.1.10.	“Control”	the same meaning as in section 840 of ICTA 1988
1.1.11.	“Dealing Day”	a day on which the Stock Exchange is open for the transaction of business
1.1.12.	“this Deed” or “the Deed”	this Deed (including the Schedules) as varied or added to from time to time pursuant to and in accordance with clause 21
1.1.13.	“Dividend Shares”	shares acquired on behalf of a Participant from reinvestment of dividends under Part D of the Plan and which are subject to the Plan
1.1.14.	“Employee Trustee Director”	a director of the Trustee who is appointed and holds office as such in accordance with the provisions of paragraph 4 of Schedule 2
1.1.15.	“Free Share Agreement”	an agreement in the terms set out in Appendix A to the Rules
1.1.16.	“Free Shares”	Shares awarded under Part A of the Plan which are subject to the Plan
1.1.17.	“Group Plan”	the Plan as established by [] and extending to its Subsidiaries which are Participating Companies
1.1.18.	“Holding Period”	<p>(a) in relation to Free Shares, the period specified by the Company as mentioned in Rule 5.12;</p> <p>(b) in relation to Matching Shares, the period specified by the Company as mentioned in Rule 7.5; and</p> <p>(c) in relation to Dividend Shares, the period of 3 years from the Acquisition Date</p>

- 1.1.19. "ICTA 1988" the Income and Corporation Taxes Act 1988
- 1.1.20. "Initial Market Value" the Market Value of a Share on an Award Date. Where the Share is subject to a restriction or risk of forfeiture, the Market Value shall be determined without reference to that restriction or risk
- 1.1.21. "Market Value" [on any day the average of the middle market quotations of a Share as derived from the Daily Official List of the Stock Exchange for the 5 immediately preceding Dealing Days]
- or
- [on any day the Market Value of a Share determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed for the purposes of the Plan with the Inland Revenue Shares Valuation on or before that day]
- 1.1.22. "Matching Shares" Shares awarded under Part C of the Plan and which are subject to the Plan
- 1.1.23. "Material Interest" the same meaning as in paragraph 15 of the Schedule
- 1.1.24. "NICs" National Insurance Contributions
- 1.1.25. "Nominated Trustee Director" a director of the Trustee who is appointed and holds office as such in accordance with the provisions of paragraphs 23 and 24 of Schedule 2
- 1.1.26. "the Original Trustee" []
- 1.1.27. "Participant" an individual who has received under the Plan an Award of Free Shares, Matching Shares or Partnership Shares, or on whose behalf Dividend Shares have been acquired
- 1.1.28. "Participating Company" the Company and such of its Subsidiaries as have executed deeds of adherence to the Plan under clause 15 of this Deed
- 1.1.29. "Partnership Shares" Shares awarded under Part B of the Plan and which are subject to the Plan
- 1.1.30. "Partnership Share Agreement" an agreement in the terms set out in Appendix B to the Rules
- 1.1.31. "Partnership Share Money" money deducted from a Qualifying Employee's Salary pursuant to a Partnership Share Agreement and held by the Trustee to acquire Partnership Shares or to be returned to such a person

- 1.1.32. “Performance Allowances” the criteria for an Award of Free Shares where:
- (a) whether Shares are awarded; or
 - (b) the number or value of Shares awarded
- is conditional on performance targets being met
- 1.1.33. “the Plan” the employee share scheme established by this Deed including the Rules and known as []
- 1.1.34. “Plan Shares”
- (a) Free Shares, Matching Shares or Partnership Shares awarded to Participants;
 - (b) Dividend Shares acquired on behalf of Participants, and
 - (c) shares in relation to which paragraph 115(5) (company reconstructions: new shares) of the Schedule applies
- that remain subject to the Plan
- 1.1.35. “Plan Termination Notice” a notice issued under paragraph 120 of the Schedule
- 1.1.36. “Profit Sharing Scheme” a profit-sharing scheme approved by the Board of Inland Revenue under Schedule 9 of ICTA 1988
- 1.1.37. “Qualifying Company” The same meaning as in paragraph 14 of the Schedule
- 1.1.38. “Qualifying Corporate Bond” the same meaning as in section 117 of the Taxation of Chargeable Gains Act 1992
- 1.1.39. “Qualifying Employee” an employee who must be invited to participate in an award in accordance with Rule 3.5 and any employee who the Company has invited in accordance with Rule 3.6
- 1.1.40. “Qualifying Period”
- (a) in the case of Free Shares [insert number – not more than 18] months before the Award is made.
 - (b) In the case of Partnership Shares and Matching Shares where there is an Accumulation Period [insert number – not more than 6] months before the start of the Accumulation Period
 - (c) In the case of Partnership Shares and Matching Shares where there is no Accumulation Period [insert number –not more than 18] months before the deduction of Partnership Share Money relating

to the Award

- 1.1.41. “Redundancy” the same meaning as in the Employment Rights Act 1996
- 1.1.42. “Relevant Employment” employment by the Company or any Associated Company
- 1.1.43. “Retirement Age” the age of [] years
- 1.1.44. “the Rules” the Rules of the Plan as set out in Schedule 1
- 1.1.45. “Salary” the same meaning as in paragraph 48 of the Schedule
- 1.1.46. “the Schedule” Schedule 8 to the Finance Act 2000 (as amended)
- 1.1.47. “Shares” ordinary shares in the capital of the Company which comply with the conditions set out in paragraph 59 of the Schedule
- 1.1.48. “the Stock Exchange” the London Stock Exchange Plc
- 1.1.49. “Subsidiary” any company which is for the time being under the Control of the Company
- 1.1.50. “Tax Year” a year beginning on 6 April and ending on the following 5 April
- 1.1.51. “the Trustee” the Original Trustee or other trustee for the time being of the Plan
- 1.1.52. “Trustee Director” a director of the Trustee
- 1.1.53. “the Trust Fund” all assets transferred to the Trustee to be held on the terms of the Trust Deed and the assets from time to time representing such assets, including any accumulations of income
- 1.1.54. “the Trust Period” the period of 80 years beginning with the date of this Deed or (if shorter) the period beginning with the date of this Deed and expiring pursuant to the provisions of clause 22.
- 1.2. References to any Act, or Part, Chapter, or section (including ICTA 1988) shall include any statutory modification, amendment or re-enactment of that Act, for the time being in force.
- 1.3. Words of the feminine gender shall include the masculine and vice versa and words in the singular shall include the plural and vice versa unless, in either case, the context otherwise requires or it is otherwise stated.
- 1.4. References to specific clauses are references to the relevantly numbered clauses set out in this Deed.

2. Status

2.1. The Plan consists of this Deed and the Schedules of it including the Rules and the Appendices thereto.

2.2. The Company shall from time to time determine which of parts A to D of the Rules shall have effect. Where the Company determines that part B shall have effect it shall also specify whether there is to be an Accumulation Period of up to 12 months, which shall apply equally to all Qualifying Employees in the Plan.

3. **Declaration of Trust**

3.1. The Company and the Trustee have agreed that all the Shares and other assets which are issued to or transferred to the Trustee are to be held on the trusts declared by this Deed and subject to the terms of the Rules.

3.2. When Shares or assets are transferred to the Trustee by the Company with the intention of being held as part of the Plan they shall be held upon the trusts and provisions of this Deed and the Rules.

3.3. The Trustee shall hold the Trust Fund upon the following trusts namely:

3.3.1. as to Shares which have not been awarded to Participants ("Unawarded Shares") upon trust during the Trust Period to allocate those Shares in accordance with the terms of this Deed and the Rules;

3.3.2. as to Shares which have been awarded to a Participant ("Plan Shares") upon trust for the benefit of that Participant on the terms and conditions set out in the Rules;

3.3.3. as to Partnership Share Money upon trust to purchase Shares for the benefit of the contributing Qualifying Employee in accordance with the Rules; and

3.3.4. as to other assets ("Surplus Assets") upon trust to use them to purchase further Shares to be held on the trusts declared in (a) above, at such time during the Trust Period and on such terms as the Trustee in its absolute discretion thinks fit.

3.4. The income of Unawarded Shares and Surplus Assets shall be accumulated by the Trustee and added to, and held upon the trusts applying to, Surplus Assets.

3.5. The income of Plan Shares and Partnership Share Money shall be dealt with in accordance with the Rules.

3.6. The perpetuity period in respect of the trusts and powers declared by this Deed and the Rules shall be the period of 80 years from the date of this Deed.

4. **The Trustee**

4.1. Subject to the following provisions of this clause, the Company shall have the power exercisable by deed to remove any company as Trustee of this Scheme and to appoint a new Trustee in the place of such person provided that the power conferred by this clause shall only be operative and capable of taking effect from the date on which the first mentioned Trustee receives notice in writing of such removal and the new Trustee accepts office as such new Trustee.

4.2. At all times throughout the Trust Period the Trustee shall comprise a single corporate Trustee:

- 4.2.1. which is resident in the United Kingdom for the purposes of United Kingdom taxation and is under the control of the Company;
- 4.2.2. whose directors are appointed and hold office only in accordance with the provisions set out in Schedule 2 and, if appropriate, Schedule 3; and
- 4.2.3. whose Memorandum of Association permits it to exercise, and is not inconsistent with, the powers conferred on the Trustee under this Deed and (without prejudice to the generality of the foregoing) the requirements of Schedule 2.
- 4.3. The statutory power of appointing new or additional Trustees shall not apply to this Plan.
- 4.4. An outgoing Trustee shall execute all such transfers or other documents, and shall do all such acts or things, as may be necessary for vesting the Trust Fund in the new Trustee or placing it under its control and shall be bound and entitled to assume that any new Trustee is a proper person to have been appointed in accordance with this clause .
- 4.5. A new Trustee shall cause the endorsement of a memorandum on this Deed as to the trusteeship in accordance with the provisions contained in clause 4.6 provided that where an outgoing Trustee is liable as a Trustee for any duties or taxes then that Trustee shall not be bound so to transfer the Trust Fund unless reasonable security is provided for indemnifying the outgoing Trustee and that Trustee's estate against such liability.
- 4.6. On every change in the trusteeship a memorandum shall be endorsed on or permanently annexed to this Deed:
 - 4.6.1 stating the name of the company which is the Trustee for the time being; and
 - 4.6.2 signed by two Trustee Directors of the new Trustee, or one Trustee Director and the Secretary of the new Trustee.
- 4.7. Any person dealing with the affairs of this Scheme shall be entitled to rely upon any memorandum endorsed on this Deed in accordance with clause 4.6 (or, if there is more than one such memorandum, the latest) as sufficient evidence that the company named therein is duly appointed as the Trustee.
- 4.8. Neither the Trustee nor any Trustee Director shall be liable:
 - 4.8.1 for any loss or damage which may happen to the Trust Fund or the income thereof arising from any improper investment or purchase made by the Trustee, or authorised by the Trustee Directors, in good faith;
 - 4.8.2 for the negligence or fraud of any agent employed by the Trustee although his employment was not strictly necessary or expedient; or
 - 4.8.3 by reason of any mistake or omission made in good faith by the Trustee or any Trustee Director.
- 4.9. Neither the Trustee nor any Trustee Director shall be under any obligation to become a director or officer or to interfere or otherwise participate in the management of the Company or any other Participating Company notwithstanding that the Trustee has

(whether directly or indirectly) a substantial holding in or control of such company or body.

- 4.10. The Trustee shall not be under any obligation to seek information about the affairs of the Company or any other Participating Company other than that normally available or supplied to a holder of the relevant proportion of the then issued shares or debentures of such a company or body (including the payment or non-payment of dividends).
- 4.11. The Trustee shall not (so long as it has no actual notice of any act of dishonesty on the part of any director of the Company or any other Participating Company) be liable for any loss to the capital or income of the Trust Fund occasioned by its failure to interfere or otherwise participate in or enquire into the affairs of such a company or body.
- 4.12. Subject to the provisions of clause 7, every power or discretion conferred on the Trustee shall be an absolute and uncontrolled power or discretion and:
 - 4.12.1. neither the Trustee nor any Trustee Director shall be held liable for any loss or damage occurring as a result of the Trustee concurring, or refusing or failing to concur, in an exercise or proposed exercise of any such power or discretion; and
 - 4.12.2. neither the Trustee nor any Trustee Director shall be obliged to give any Participant (or any person who would, but for the exercise or non-exercise of any such power or discretion, be a Participant) any reason nor justification for any exercise or non-exercise of any such power or discretion.

5. Information supplied by the Company

The Trustee shall be entitled to rely, without further enquiry, on all information supplied to it by the Company in connection with its duties as trustee declared in this Deed and (without prejudice to the generality of the foregoing) any notice given by the Company to the Trustee in respect of the eligibility of any person to become or remain a Participant shall be conclusive in favour of the Trustee.

6. Provision of Information to Participants

The Company shall procure that additional copies of any or all such notices, circulars and other documents (except proxy forms) sent to ordinary shareholders of the Company shall be sent to such Participants as the Trustee directs and for that purpose the Trustee shall procure that the Company is given such information as is reasonably necessary to enable the Company to comply with this obligation.

7. Investment and dealing with Trust Assets

- 7.1. Save as otherwise provided for by the Plan the Trustee shall not sell or otherwise dispose of Plan Shares.
- 7.2. The Trustee shall obey any directions given by a Participant in accordance with the Rules in relation to his Plan Shares and any rights and income relating to those Shares.
- 7.3. Subject to clause 7.4 and any express right of a Participant under this Deed or the Rules to direct the Trustee to take (or not to take) any action relating to that Participant's Plan Shares, in relation to any matter on which the Trustee has a right

or opportunity as a member of the Company to vote or to exercise any other right in respect of Plan Shares held by it on behalf of Participants, the Trustee shall vote or abstain from voting, or exercise any other right on behalf of the Participants, whether or not during any Holding Period, in any way which the Trustee sees fit without incurring any liability and without being required to give any reason for its decision. and when exercising any voting rights, the Trustee shall take into account any or all of the following matters:

- 7.3.1. the long term interests of the Participants;
- 7.3.2. the interests of Participants other than financial interests;
- 7.3.3. the interests of the Participants as employees;
- 7.3.4. the long term interests of the Company;
- 7.3.5. consideration of a local, moral, ethical, environmental or social nature.
- 7.4. The Trustee shall [not] exercise any vote (whether on a show of hands or on a poll) in respect of Unawarded Shares [in such manner as the Trustee may in its absolute discretion determine.]
- 7.5. The Company and Participating Companies shall, as soon as practicable after deduction from Salary, pass the Partnership Share Money to the Trustee who will put the money into an account with any Bank as defined in section 840(a) of the Income and Corporation Taxes Act 1988 (the "Taxes Act"); or
 - 7.5.1. a person falling within section 840A(1)(b) of the Taxes Act 1988,
 - 7.5.2. a Building Society (as defined in the Building Societies Act, 1986), or
 - 7.5.3. a firm falling within section 840A(1)(c) of the Taxes Act,until it is either used to acquire Partnership Shares on the Acquisition Date, or, in accordance with the Plan, returned to the individual from whose Salary the Partnership Share Money has been deducted.

The Trustee shall pass on any interest arising on this invested money to the individual from whose Salary the Partnership Share Money has been deducted.
- 7.6. The Trustee may either retain or sell Unawarded Shares at their absolute discretion. The proceeds of any sale of Unawarded Shares shall form part of Surplus Assets.
- 7.7. The Trustee shall have all the powers of investment of a beneficial owner in relation to Surplus Assets.
- 7.8. The Trustee shall not be under any liability to the Participating Companies or to current or former Qualifying Employees by reason of a failure to diversify investments, which results from the retention of Plan or Unawarded Shares.
- 7.9. The Trustee may delegate powers, duties or discretions to any persons and on any terms. No delegation made under this clause shall divest the Trustee of its responsibilities under this Deed or under the Schedule.

The Trustee may allow any Shares to be registered in the name of an appointed nominee provided that such Shares shall be registered in a designated account. Such registration shall not divest the Trustee of its responsibilities under this Deed or the Schedule.

The Trustee may at any time, and shall if the Company so directs, revoke any delegation made under this clause or require any Plan assets held by another person to be returned to the Trustee, or both.

8. Loans to Trustee

The Trustee shall have the power to borrow money for the purposes of:

- 8.1. acquiring Shares; and
- 8.2. paying any other expenses properly incurred by the Trustee in administering the Plan.

9. Shares from Qualifying Share Ownership Trusts

Where Shares are transferred to the Trustee in accordance with paragraph 76 of the Schedule, it shall award such Shares only as Free and Matching Shares, and in priority to other available Shares.

10. Trustee's Further Obligations under the Plan

Notice of Award of Free and Matching Shares

- 10.1. As soon as practicable after Free and Matching Shares have been awarded to a Participant, the Trustee shall give the Participant a notice stating:
 - 10.1.1. the number and description of those Shares;
 - 10.1.2. their Initial Market Value on the date of Award; and
 - 10.1.3. the Holding Period applicable to them.

Notice of Award of Partnership Shares

- 10.2. As soon as practicable after any Partnership Shares have been acquired for a Participant, the Trustee shall give the Participant a notice stating:
 - 10.2.1. the number and description of those Shares;
 - 10.2.2. the amount of money applied by the Trustee in acquiring those shares on behalf of the Participant; and
 - 10.2.3. the Market Value at the Acquisition Date.

Notice of acquisition of Dividend Shares

- 10.3. As soon as practicable after Dividend Shares have been acquired on behalf of a Participant, the Trustee shall give the Participant a notice stating:
 - 10.3.1. the number and description of those shares;

- 10.3.2. their Market Value on the Acquisition Date,
- 10.3.3. the Holding Period applicable to them; and
- 10.3.4. any amount not reinvested and carried forward for acquisition of further Dividend Shares.

Notice of any foreign tax deducted before dividend paid

- 10.4. Where any foreign cash dividend is received in respect of Plan Shares held on behalf of a Participant, the Trustee shall give the Participant notice of the amount of any foreign tax deducted from the dividend before it was paid.

Restrictions during the Holding Period

- 10.5. During the Holding Period the Trustee shall not dispose of any Free, Matching or Dividend Shares (whether by transfer to the employee or otherwise) except as allowed by the following paragraphs of the Schedule:
 - 10.5.1. paragraph 32 (power of Trustee to accept general offers etc.);
 - 10.5.2. paragraph 72 (power of Trustee to raise funds to subscribe for rights issue);
 - 10.5.3. paragraph 73 (meeting PAYE obligations); and
 - 10.5.4. paragraph 121(5) (termination of plan: early removal of shares with participant's consent).

PAYE Liability etc.

- 10.6. The Trustee may dispose of a Participant's Shares or accept a sum from the Participant in order to meet any PAYE liability in the circumstances provided in paragraph 95 of the Schedule (PAYE: shares ceasing to be subject to the plan).

Where the Trustee receives a sum of money which constitutes a Capital Receipt in respect of which a Participant is chargeable to income tax under Schedule E, the Trustee shall pay to the employer a sum equal to that on which income tax is so payable.

The Trustee shall maintain the records necessary to enable it to carry out its PAYE obligations, and the PAYE obligations of the employer company so far as they relate to the Plan.

Where the Participant becomes liable to income tax under Schedule E, Case V of Schedule D, or Schedule F, the Trustee shall inform the Participant of any facts which are relevant to determining that liability.

Money's worth received by Trustee

- 10.7. The Trustee shall pay over to the Participant as soon as is practicable, any money or money's worth received by them in respect of or by reference to any shares, other than new shares within paragraph 115 of the Schedule (company reconstructions).

This is subject to:

- 10.7.1. the provisions of Part VII of the Schedule (dividend reinvestment);
- 10.7.2. the Trustee's obligations under paragraphs 95 and 96 of the Schedule (PAYE: obligations to make payments to employer etc); and
- 10.7.3. the Trustee's PAYE obligations.

General offers etc.

- 10.8. If any offer, compromise, arrangement or scheme is made which affects the Free Shares or Matching Shares the Trustee shall notify Participants. Each Participant may direct how the Trustee shall act in relation to that Participant's Plan Shares. In the absence of any direction, the Trustee shall take no action.

11. Power of Trustee to Raise Funds to Subscribe for a Rights Issue

If instructed by Participants in respect of their Plan Shares the Trustee may dispose of some of the rights under a rights issue arising from those Shares to obtain enough funds to exercise the remaining rights.

The rights referred to are the rights to buy additional shares or rights in the same company.

12. Power to Agree Market Value of Shares

Where the Market Value of Shares falls to be determined for the purposes of the Schedule, the Trustee may agree with the Inland Revenue that it shall be determined by reference to such date or dates, or to an average of the values on a number of dates, as specified in the agreement.

13. Personal Interest of Trustee directors and Employees

Trustee, Directors and other officers or employees of a corporate Trustee, shall not be liable to account for any benefit accruing to them by virtue of their:

- 13.1. participation in the Plan as a Qualifying Employee;
- 13.2. ownership, in a beneficial or fiduciary capacity, of any shares or other securities in any Participating Company;
- 13.3. being a director or employee of any Participating Company, being a creditor, or being in any other contractual relationship with any such Company.

14. Trustee Meetings

The Trustee shall hold meetings as often as is necessary for the administration of the Plan. There shall be at least three Trustee Directors present at a meeting and the Trustee shall give due notice to all the Trustee Directors of such a meeting. Decisions made at such a meeting by a majority of the Trustee Directors present shall be binding on all the Trustee. A written resolution signed by all the Trustee Directors shall have the same effect as a resolution passed at a meeting.

15. Subsidiary Companies

Any Subsidiary may with the agreement of the Company become a party to this Deed and the Plan by executing a deed of adherence agreeing to be bound by the Deed and Rules.

Any company which ceases to be a Subsidiary shall cease to be a Participating Company.

16. Expenses of Plan

The Participating Companies shall meet the costs of the preparation and administration of this Plan.

17. Trustee's Liability and Indemnity

17.1. The Participating Companies shall jointly and severally indemnify each of the Trustee Directors against any expenses and liabilities which are incurred through acting as a Trustee Director and which cannot be recovered from the Trust Fund. This does not apply to expenses and liabilities which are incurred through fraud or wilful wrongdoing or are covered by insurance under clause 17.4.

17.2. No decision of or exercise of a power by the Trustee shall be invalidated or questioned on the grounds that the Trustee or any Trustee Director had an interest, in a personal or fiduciary capacity, in the result of the decision or in the exercise of the power, and any Trustee Director may vote in respect of a decision or exercise of a power, and be taken into account for the purposes of a quorum, notwithstanding that he has such an interest.

17.3. No Trustee Director shall be personally liable for any breach of trust (other than through fraud or wilful wrongdoing) over and above the extent to which the Trustee Director is indemnified by the Participating Companies in accordance with clause 17.1.

17.4. A Trustee Director may insure the Plan against any loss caused by him or any of his employees, officers, agents or delegates. A non-remunerated Trustee Director may also insure himself and any of these persons against liability for breach of trust not involving fraud or wilful wrongdoing or negligence of the Trustee Director or the person concerned.

18. Covenant by the Participating Companies

The Participating Companies hereby jointly and severally covenant with the Trustee that they shall pay to the Trustee all sums which they are required to pay under the Rules and shall at all times comply with the Rules.

19. Acceptance of Gifts

The Trustee may accept gifts of Shares and other assets which shall be held upon the trusts declared by clause 3.

20. Trustee's Lien

The Trustee's lien over the Trust Fund in respect of liabilities incurred by it in the performance of its duties (including the repayment of borrowed money and tax liabilities) shall be enforceable subject to the following restrictions:

- 20.1. the Trustee shall not be entitled to resort to Partnership Share Money for the satisfaction of any of its liabilities; and
- 20.2. the Trustee shall not be entitled to resort to Plan Shares for the satisfaction of its liabilities except to the extent that this is permitted by the Plan.

21. Amendments to the Plan

The Company may, with the Trustee's written consent, from time to time amend the Plan provided that:

- 21.1. no amendment which would adversely prejudice to a material extent the rights attaching to any Plan Shares awarded to or acquired by Participants may be made nor may any alteration be made giving to Participating Companies a beneficial interest in Plan Shares, and
- 21.2. if the Plan is approved by the Inland Revenue at the time of an amendment or addition, any amendment or addition to a "key feature" (as defined in paragraph 118(3)(a) of the Schedule) of the Plan shall not have effect unless and until the written approval of the Inland Revenue has been obtained in accordance with paragraph 4 of the Schedule.

22. Termination of the Plan

- 22.1. The Plan shall terminate:
 - 22.1.1. in accordance with a Plan Termination Notice issued by the Company to the Trustee under paragraph 120 of the Schedule, or
 - 22.1.2. if earlier, on the expiry of the Trust Period.
- 22.2. The Company shall immediately upon executing a Plan Termination Notice provide a copy of the notice to the Trustee, the Inland Revenue and each individual who has Plan Shares or who has entered into a Partnership Share Agreement which was in force immediately before the Plan Termination Notice was issued.
- 22.3. Upon the issue of a Plan Termination Notice or upon the expiry of the Trust Period paragraph 121 of the Schedule shall have effect.
- 22.4. Any Shares or other assets which remain undisposed of after the requirements of paragraph 121 of the Schedule have been complied with shall be held by the Trustee upon trust to pay or apply them to or for the benefit of the Participating Companies as at the termination date in such proportion, having regard to their respective contributions, as the Trustee shall in its absolute discretion think appropriate.

SCHEDULE 1

THE RULES

of

[Plan]

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1. **Definitions**

The definitions and interpretation provisions set out in clause 1 of the Deed shall (unless the context otherwise requires) apply to these Rules.

2. **Purpose of the Plan**

The purpose of the Plan is to enable employees of Participating Companies to acquire shares in a company which give them a continuing stake in that company.

3. **Eligibility of Individuals**

3.1. Subject to Rule 3.4, individuals are eligible to participate in an Award only if:

- 3.1.1. they are employees of a Participating Company;
- 3.1.2. they have been employees of a Qualifying Company at all times during any Qualifying Period;
- 3.1.3. they are eligible on the date(s) set out in paragraph 13(1) of the Schedule; and
- 3.1.4. they do not fail to be eligible under either or both Rules 3.2 or 3.3.

3.2. Individuals are not eligible to participate in an Award of Shares if they have, or within the preceding twelve months have had, a Material Interest in:

- 3.2.1. a Close Company whose Shares may be appropriated or acquired under the Plan; or
- 3.2.2. a company which has Control of such a company or is a member of a consortium which owns such a company.

3.3. Individuals are not eligible to participate in an Award of Free Shares in any Tax Year if in that Tax Year:

- 3.3.1. they have been awarded shares under a Profit-Sharing Scheme established by the Company or a Connected Company, or are to be awarded such shares at the same time; or
- 3.3.2. they have received (or are to receive at the same time) an Award under another plan established by the Company or a Connected Company and approved under the Schedule, or if they would have received such an Award but for their failure to meet a performance target (see Rule 5.5).

3.4. Individuals are not eligible to participate in an Award of Partnership Shares or Matching Shares in any Tax Year if in that Tax Year they have received (or are to receive at the same time) an Award under another plan established by the Company or a Connected Company (as defined in paragraph 16(4) of the Schedule) and approved under the Schedule, or if they would have received such an Award but for their failure to meet a performance target (see Rule 5.5).

Employees who must be invited to participate in Awards

- 3.5. Individuals shall be eligible to receive an Award of Shares under the Plan if they meet the requirements in Rule 3.1 and are chargeable to income tax in respect of their employment under Case 1 of Schedule E.

In this case they shall be invited to participate in any Awards of Free Shares, Partnership Shares or Matching Shares, and acquisitions of Dividend Shares as are set out in the Plan.

Employees who may be invited to participate in Awards

- 3.6. The Company may also invite (subject to any term relating to qualification to participate imposed by the Company at or before the Award Date which shall apply to any employee of the Company who is not automatically eligible in accordance with Rule 3.5) any employee (who is not chargeable to tax under Case 1 of Schedule in respect of his Relevant Employment) who meets the requirements in Rule 3.1 to participate in any Award of Free Shares, Partnership Shares or Matching Shares and acquisitions of Dividend Shares as are set out in the Plan.

4. Participation on Same Terms

- 4.1. Every Qualifying Employee shall be invited to participate in an Award on the same terms. All who do participate in an Award shall do so on the same terms.
- 4.2. The Company may make an Award of Free Shares to Qualifying Employees by reference to their remuneration, length of service or hours worked. The basis upon which any Award is so made will be explained in the invitation to participate in an Award.
- 4.3. The Company may make an Award of Free Shares to Qualifying Employees by reference to their performance as set out in Rule 5.5.

PART A

5. Free Shares

- 5.1. Every Qualifying Employee shall enter into an agreement with the Company (a "Free Share Agreement") in the terms of the draft in Appendix A to these Rules.
- 5.2. The Trustee, acting with the prior consent of the Company, may from time to time award Free Shares.
- 5.3. The number of Free Shares to be awarded by the Trustee to each Qualifying Employee on an Award Date shall be determined by the Company in accordance with this Rule and Rule 4.2.

Maximum Annual Award

- 5.4. The Initial Market Value of the Shares awarded to a Qualifying Employee in any Tax Year shall not exceed £3,000.

Allocation of Free Shares by reference to performance

- 5.5. The Company may stipulate that the number of Free Shares (if any) to be awarded to each Qualifying Employee on a given Award Date shall be determined by reference to Performance Allowances.
- 5.6. If Performance Allowances are used, they shall apply to all Qualifying Employees.
- 5.7.1. performance targets must be set for performance units of one or more employees;
and
- 5.7.2. for the purposes of an Award of Free Shares an employee must not be a member of more than one performance unit.
- 5.8. Where the company decides to use Performance Allowances it shall, as soon as reasonably practicable:
 - 5.8.1. notify each employee participating in the Award of the performance targets and measures which, under the Plan, shall be used to determine the number or value of Free Shares awarded to him; and
 - 5.8.2. notify all Qualifying Employees of the Company or, in the case of a Group Plan, of any Participating Company, in general terms, of the performance targets and measures to be used to determine the number or value of Free Shares to be awarded to each Participant in the Award.
- 5.9. The Company shall determine the number of Free Shares (if any) to be awarded to each Qualifying Employee by reference to performance using Method 1 or Method 2 set out in Rules 5.10 and 5.11 respectively.

Performance Allowances: Method 1

- 5.10. By this method:

- 5.10.1. at least 20% of Free Shares awarded in any performance period shall be awarded without reference to performance;
- 5.10.2. the remaining Free Shares shall be awarded by reference to performance; and
- 5.10.3. the highest Award made to an individual by reference to performance in any period shall be no more than four times the highest Award to an individual without reference to performance.

If this Method is used:

- the Free Shares awarded without reference to performance (Rule 5.10.1 above) shall be awarded on the same terms mentioned in Rule 4.
- the Free Shares awarded by reference to performance (Rule 5.10.2 above) need not be allocated on the same terms mentioned in Rule 4.

Performance Allowances: Method 2

5.11. By this method:

- 5.11.1. some or all Free Shares shall be awarded by reference to performance;
- 5.11.2. the Award of Free Shares to Qualifying Employees who are members of the same performance unit shall be made on the same terms, as mentioned in Rule 4; and
- 5.11.3. Free Shares awarded for each performance unit shall be treated as separate awards.

Holding Period for Free Shares

- 5.12. The Company shall, in relation to each Award Date, specify a Holding Period throughout which a Participant shall be bound by the terms of the Free Share Agreement.
- 5.13. The Holding Period shall, in relation to each Award, be a specified period of not less than 3 years nor more than 5 years, beginning with the Award Date and shall be the same for all Participants who receive an Award at the same time. The Holding Period shall not be increased in respect of Free Shares already awarded under the Plan. The Holding Period in relation to each Award of Free Shares shall be specified in the Notice of Award given to each Qualifying Employee by the Trustee in accordance with paragraph 70 of the Schedule and pursuant to clause 10 of the Deed.
- 5.14. A Participant may during the Holding Period direct the Trustee:
 - 5.14.1. to accept an offer for any of their Free Shares if the acceptance or agreement shall result in a new holding being equated with those shares for the purposes of capital gains tax; or
 - 5.14.2. to accept an offer of a Qualifying Corporate Bond (whether alone or with other assets or cash or both) for their Free Shares if the offer forms part of such a general offer as is mentioned in Rule 5.14.3; or

- 5.14.3. to accept an offer of cash, with or without other assets, for their Free Shares if the offer forms part of a general offer which is made to holders of shares of the same class as their shares, or to holders of shares in the same company and which is made in the first instance on a condition such that if it is satisfied the person making the offer shall have control of that company, within the meaning of section 416 ICTA 1988; or
- 5.14.4. to agree to a transaction affecting their Free Shares or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting:
 - 5.14.4.1. all of the ordinary share capital of the company or, as the case may be, all the shares of the class in question; or
 - 5.14.4.2. all the shares, or all the shares of the class in question, which are held by a class of shareholder identified otherwise than by reference to their employment or their participation in a plan approved under the Schedule.
- 5.15. The obligations of the Participant with respect to the Holding Period will end:
 - 5.15.1. if the Participant ceases to be in Relevant Employment and this may lead to forfeiture of the Free Shares;
 - 5.15.2. if the Company terminates the Plan in accordance with clause 22 of the Deed and the Participant has consented to the transfer of the Shares to the Participant.
- 5.16. The Company may stipulate that the number of Free Shares awarded to a Qualifying Employee may be forfeited in the circumstances set out in the Free Share Agreement provided that any provision for forfeiture shall comply with the requirements of paragraph 65 of the Schedule.

PART B

6. Partnership Shares

6.1. The Company may at any time invite every Qualifying Employee to enter into an agreement with the Company (a "Partnership Share Agreement") in the terms of the draft in Appendix B to these Rules.

6.2. Partnership Shares shall not be subject to any provision under which they may be forfeit.

Maximum amount of deductions

6.3. The amount of Partnership Share Money deducted from an employee's Salary shall not exceed £125 in any month. If the Salary is not paid monthly, the £125 limit shall be calculated proportionately.

6.4. The amount of Partnership Share Money deducted from an employee's Salary over an Accumulation Period shall not exceed 10% of the total of the payments of Salary made to such employee over that Accumulation Period or if there is no Accumulation Period, 10% of the Salary payment from which the deduction is made.

6.5. Any amount deducted in excess of that allowed by Rule 6.3 or 6.4 shall be paid over to the employee, subject to both deduction of income tax under PAYE and NICs, as soon as practicable.

Minimum amount of deductions

6.6. The minimum amount to be deducted under the Partnership Share Agreement in any month shall be the same in relation to all Partnership Share Agreements entered into in response to invitations issued on the same occasion. It shall not be greater than Ten Pounds (£10.00.)

Notice of possible effect of deductions on benefit entitlement

6.7. Every Partnership Share Agreement shall contain a notice under paragraph 38 of the Schedule.

Restriction imposed on number of Share awarded

6.8. The Company may specify the maximum number of Shares to be included in an Award of Partnership Shares.

6.9. The Partnership Share Agreement shall contain an undertaking by the Company to notify each Qualifying Employee of any restriction on the number of Shares to be included in an Award.

6.10. The notification in Rule 6.9 above shall be given:

6.10.1. if there is no Accumulation Period, before the deduction of the Partnership Share Money relating to the Award; and

6.10.2. if there is an Accumulation Period, before the beginning of the Accumulation Period relating to the Award.

Plan with no Accumulation Period

- 6.11. The Trustee shall acquire Shares on behalf of the Qualifying Employee using the Partnership Share Money. They shall acquire the Shares on the Acquisition Date. The number of Shares awarded to each employee shall be determined in accordance with the Market Value of the Shares on that date.

Plan with Accumulation Period

- 6.12. If there is an Accumulation Period, the Trustee shall acquire Shares on behalf of the Qualifying Employee, on the Acquisition Date, using the Partnership Share Money.

- 6.13. The number of Shares acquired on behalf of each Participant shall be determined by reference to the lower of:

6.13.1. the Market Value of the Shares at the beginning of the Accumulation Period; and

6.13.2. the Market Value of the Shares on the Acquisition Date.

- 6.14. If a transaction occurs during an Accumulation Period which results in a new holding of Shares being equated for the purposes of capital gains tax with any of the Shares to be acquired under the Partnership Share Agreement, the employee may agree that the Partnership Share Agreement shall have effect after the time of that transaction as if it were an agreement for the purchase of shares comprised in the new holding.

Surplus Partnership Share Money

- 6.15. Any surplus Partnership Share Money remaining after the acquisition of Shares by the Trustee:

6.15.1. may, with the agreement of the Participant, be carried forward to the next Accumulation Period or the next deduction; and

6.15.2. in any other case, shall be paid over to the Participant, subject to both deduction of income tax under PAYE and NICs, as soon as practicable.

Scaling down

- 6.16. If the Company receives applications for Partnership Shares exceeding the Award maximum determined in accordance with Rule 6.8 then the following steps shall be taken in sequence until the excess is eliminated:

Step 1. the excess of the monthly deduction chosen by each applicant over Ten Pounds (£10) shall be reduced pro rate;

Step 2. all monthly deductions shall be reduced to Ten Pounds (£10)

Step 3. applications shall be selected by lot, each based on a monthly deduction of Ten Pounds (£10)

Each application shall be deemed to have been modified or withdrawn in accordance with the foregoing provisions, and each employee who has applied for Partnership Shares shall be notified of the change.

Withdrawal from Partnership Share Agreement

- 6.17. An employee may withdraw from a Partnership Share Agreement at any time by notice in writing to the Company. Unless a later date is specified in the notice, such a notice shall take effect 30 days after the Company receives it. Any Partnership Share Money then held on behalf of the employee shall be paid over to that employee as soon as practicable. This payment shall be subject to income tax under PAYE and NICS.

Repayment of Partnership Share Money on withdrawal of approval or Termination

- 6.18. If approval to the Plan is withdrawn or a Plan Termination Notice is issued in respect of the Plan, any Partnership Share Money held on behalf of employees shall be repaid to them as soon as practicable, subject to deduction of income tax under PAYE, and NICS.

PART C

7. Matching Shares

- 7.1. The Partnership Share Agreement sets out the basis on which a Participant is entitled to Matching Shares in accordance with this Part of the Rules.

General Requirements for Matching Shares

- 7.2. Matching Shares shall:

- 7.2.1. be Shares of the same class and carrying the same rights as the Partnership Shares to which they relate;
- 7.2.2. subject to Rule 7.4 be awarded on the same day as the Partnership Shares to which they relate are acquired on behalf of the Participant; and
- 7.2.3. be awarded to all Participants on exactly the same basis.

Ratio of Matching Shares to Partnership Shares

- 7.3. The Partnership Share Agreement shall specify the ratio of Matching Shares to Partnership Shares for the time being offered by the Company and that ratio shall not exceed 2:1. The Company may vary the ratio before Partnership Shares are acquired. Employees shall be notified of the terms of any such variation before the Partnership Shares are awarded under the Partnership Share Agreement.
- 7.4. If the Partnership Shares on that day are not sufficient to produce a Matching Share, the match shall be made when sufficient Partnership Shares have been acquired to allow at least one Matching Share to be appropriated.

Holding Period for Matching Shares

- 7.5. The Company shall, in relation to each Award Date, specify a Holding Period throughout which a Participant shall be bound by the terms of the Partnership Share Agreement.
- 7.6. The Holding Period shall, in relation to each Award, be a specified period of not less than 3 years nor more than 5 years, beginning with the Award Date and shall be the same for all Participants who receive an Award at the same time. The Holding Period shall not be increased in respect of Matching Shares awarded under the Plan. The appropriate Holding Period in relation to each award of Matching Shares shall be set out in the Notice of Award given to each Qualifying Employee by the Trustee in accordance with paragraph 70 of the Schedule and pursuant to clause 10 of the Deed.
- 7.7. A Participant may during the Holding Period direct the Trustee:
- 7.7.1. to accept an offer for any of their Matching Shares if the acceptance or agreement shall result in a new holding being equated with those original Shares for the purposes of capital gains tax; or
- 7.7.2. to accept an offer of a Qualifying Corporate Bond (whether alone or with other assets or cash or both) for their Matching Shares if the offer forms part of such a general offer as is mentioned in paragraph 7.7.3; or

- 7.7.3. to accept an offer of cash, with or without other assets, for their Matching Shares if the offer forms part of a general offer which is made to holders of shares of the same class as their Shares or to the holders of shares in the same company, and which is made in the first instance on a condition such that if it is satisfied the person making the offer shall have control of that company, within the meaning of section 416 of ICTA 1988; or
- 7.7.4. to agree to a transaction affecting their Matching Shares or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting;
 - 7.7.4.1. all of the ordinary share capital of the company or, as the case may be, all the shares of the class in question; or
 - 7.7.4.2. all the shares, or all the shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in a plan approved under the Schedule.
- 7.8. The obligations of the Participant with respect to the Holding Period will end:
 - 7.8.1. if the Participant ceases to be in Relevant Employment and this may lead to forfeiture of the Matching Shares;
 - 7.8.2. if the Company terminates the Plan in accordance with clause 22 of the Deed and the Participant has consented to the transfer of the Shares to the Participant.
- 7.9. The Company may stipulate that the number of Matching Shares awarded to a Qualifying Employee may be forfeited in the circumstances set out in the Partnership Share Agreement provided that any provision for forfeiture shall comply with the requirements of paragraph 65 of the Schedule.

PART D

Dividend Shares

8. Reinvestment of cash dividends
- 8.1. The Free Share Agreement or Partnership Share Agreement, as appropriate, shall set out the rights and obligations of Participants receiving Dividend Shares under the Plan.
- 8.2. The Company may direct that any cash dividend in respect of Plan Shares held on behalf of Participants may be applied in acquiring further Plan Shares on their behalf.
- 8.3. Dividend Shares shall be Shares:
 - 8.3.1. of the same class and carrying the same rights as the Shares in respect of which the dividend is paid; and
 - 8.3.2. which are not subject to any provision for forfeiture.
- 8.4. The Company may decide to:
 - 8.4.1. apply all Participants' dividends, up to the limit specified in Rule 8.6 to acquire Dividend Shares;
 - 8.4.2. to pay all dividends in cash to all Participants; or
 - 8.4.3. to offer Participants the choice of either 8.4.1 or 8.4.2 above.
- 8.5. The Company may revoke any direction for reinvestment of cash dividends.
- 8.6. The amount applied by the Trustee in acquiring Dividend Shares shall not exceed £1,500 in each Tax year. For the purposes of this Rule, the Dividend Shares are those acquired under this Plan and those acquired under any other plan approved under the Schedule. In exercising their powers in relation to the acquisition of Dividend Shares the Trustee must treat Participants fairly and equally.
- 8.7. If the amounts received by the Trustee exceeds the limit in Rule 8.6, the balance shall be paid to the Participant as soon as practicable.
- 8.8. The Trustee shall apply all the cash dividends to acquire Shares on behalf of the Participant on the Acquisition Date. The number of Dividend Shares acquired on behalf of each Participant shall be determined by the Market Value of the Shares on the Acquisition Date.

Certain amounts not reinvested to be carried forward

- 8.9. Subject to Rule 8.7, any amount that is not reinvested:
 - 8.9.1. because the amount of the cash dividend is insufficient to acquire a Share; or
 - 8.9.2. because there is an amount remaining after acquiring the Dividend Shares;

may be retained by the Trustee and carried forward to be added to the amount of the next cash dividend to be reinvested.

8.10. If, during the period of three years beginning with the date on which the dividend was paid:

8.10.1. it is not reinvested; or

8.10.2. the Participant ceases to be in Relevant Employment; or

8.10.3. a Plan Termination Notice is issued

the amount shall be repaid to the Participant as soon as practicable. On making such a payment, the Participant shall be provided with the information specified in paragraph 90 of the Schedule.

Holding Period for Dividend Shares

8.11. The Holding Period shall be a period of 3 years, beginning with the Acquisition Date.

8.12. A Participant may during the Holding Period direct the Trustee:

8.12.1. to accept an offer for any of their Dividend Shares if the acceptance or agreement shall result in a new holding being equated with those shares for the purposes of capital gains tax; or

8.12.2. to accept an offer of a Qualifying Corporate Bond (whether alone or with other assets or cash or both) for their Dividend Shares if the offer forms part of such a general offer as is mentioned in Rule 8.12.3; or

8.12.3. to accept an offer of cash, with or without other assets, for their Dividend Shares if the offer forms part of a general offer which is made to holders of shares of the same class as their shares or to holders of shares of the same class as their shares or to holders of shares in the same company, and which is made in the first instance on a condition such that if it is satisfied the person making the offer shall have control of that company, within the meaning of section 416 of ICTA 1988; or

8.12.4. to agree to a transaction affecting their Dividend Shares or such of them as are of a particular class, if the transaction would be entered into pursuant to a compromise, arrangement or scheme applicable to or affecting;

8.12.4.1. all of the ordinary share capital of the company or, as the case may be, all the shares of the class in question; or

8.12.4.2. all the shares, or all the shares of the class in question, which are held by a class of shareholders identified otherwise than by reference to their employment or their participation in a plan approved under the Schedule.

8.13. Where a Participant is charged to tax in the event of their Dividend Shares ceasing to be subject to the Plan, they shall be provided with the information specified in paragraph 93(4) of the Schedule.

9. Company Reconstructions

9.1. The following provisions of this Rule apply if there occurs in relation to any of a Participant's Plan Shares (referred to in this Rule as "the Original Holding"):

- 9.1.1. a transaction which results in a new holding (referred to in this Rule as “the New Holding”) being equated with the Original Holding for the purposes of capital gains tax; or
- 9.1.2. a transaction which would have that result but for the fact that what would be the new holding consists of or includes a Qualifying Corporate Bond.
- 9.2. If an issue of Shares of any of the following description (in respect of which a charge to income tax arises) is made as part of a company reconstruction, those Shares shall be treated for the purposes of this Rule as not forming part of the New Holding:
 - 9.2.1. redeemable shares or securities issued as mentioned in section 209(2)(c) of ICTA 1988;
 - 9.2.2. share capital issued in circumstances such that section 210(1) of ICTA 1988 applies; or
 - 9.2.3. share capital to which section 249 of ICTA 1988 applies.
- 9.3. In this Rule:

“Corresponding Shares” in relation to any New Shares, means the Shares in respect of which the New Shares are issued or which the New Shares otherwise represent;

“New Shares” means shares comprised in the New Holding which were issued in respect of, or otherwise represent, shares comprised in the Original Holding.
- 9.4. Subject to the following provisions of this Rule, references in this Plan to a Participant’s Plan Shares shall be respectively construed, after the time of the company reconstruction, as being or, as the case may be, as including references to any New Shares.
- 9.5. For the purposes of the Plan:
 - 9.5.1. a company reconstruction shall be treated as not involving a disposal of Shares comprised in the Original Holding; and
 - 9.5.2. the date on which any New Shares are to be treated as having been appropriated to or acquired on behalf of the Participant shall be that on which Corresponding Shares were so appropriated or acquired.
- 9.6. In the context of a New Holding, any reference in this Rule to shares includes securities and rights of any description which form part of the New Holding for the purposes of Chapter II of Part IV of the Taxation of Chargeable Gains Act 1992.
10. **Rights Issues**
 - 10.1. Any shares or securities allotted under clause 11 of the Trust Deed shall be treated as Plan Shares identical to the shares in respect of which the rights were conferred. They shall be treated as if they were awarded to or acquired on behalf of the Participant under the Plan in the same way and at the same time as those shares.
 - 10.2. Rule 10.1 does not apply:

- 10.2.1. to shares and securities allotted as the result of taking up a rights issue where the funds to exercise those rights were obtained otherwise than by virtue of the Trustee disposing of rights in accordance with this Rule; or
- 10.2.2. where the rights to a share issue attributed to Plan Shares are different from the rights attributed to other ordinary shares of the company.

11. **Relationship with Employment Contracts**

- 11.1. Nothing in the Trust Deed or this Plan shall in any way be construed as imposing upon a Participating Company a contractual obligation as between the Participating Company and any Qualifying Employee to contribute or to continue to contribute to the Plan or (subject to Rules 3 and 4) to make any Award to Qualifying Employees in general.
- 11.2. In no circumstances shall any person who has ceased to be an employee of the Company or any Subsidiary by reason of dismissal or otherwise howsoever or who is under notice of termination of his employment be entitled to claim as against any Participating Company or Subsidiary or the Trustee any compensation for or in respect of any consequential loss he may suffer by reason of the operation of the terms of the Plan or of the provisions of ICTA 1988 or the Schedule.

APPENDIX A

Free Share Agreement

[To follow standard document]

APPENDIX B

Partnership Share Agreement

[To follow standard document]

SCHEDULE 2

PROVISIONS GOVERNING THE APPOINTMENT AND REMOVAL OF DIRECTORS OF A SINGLE CORPORATE TRUSTEE (Clause 4.2.2)

The following provisions of this Schedule shall apply for the purposes of determining the appointment and removal of directors of the Original Trustee and of any other corporate Trustee of the Plan.

1. At all times there shall be at least [5] Trustee Directors.
2. At all times each and every Trustee Director must be resident in the United Kingdom for the purposes of United Kingdom taxation.
3. At all times the Trustee Directors shall include at least [two] [three] persons who are Employee Trustee Directors and at least two persons who are Nominated Trustee Directors.
4. At all times those persons who are appointed as Employee Trustee Directors shall be Qualifying Employees who:
 - 4.1. do not have, and have not had, a material interest in any company (including the Trustee) to which the Group Plan extends; and
 - 4.2. were selected for appointment as a Trustee Director in accordance with paragraphs 8 to 14.
5. The quorum for the transaction of business by the board of directors of the Trustee shall be three Trustee Directors of whom:
 - 5.1. one must be an Employee Trustee Director; and
 - 5.2. one must be a Nominated Director.
6. The Trustee Directors shall not have the power to appoint alternates.

Employee Trustee Directors

7. No person shall be appointed to hold office as an Employee Trustee Director unless:
 - 7.1. the appointment has first been sanctioned either by a simple majority of Employees in a ballot as mentioned in paragraphs 8 to 12 or by an independent trade union as mentioned in paragraph 13;
 - 7.2. he has confirmed in writing his willingness to hold the office if appointed.

Selection of Employee Trustee Directors by ballot of Employees

8. The directors of the Company shall determine either that the procedure for the selection of an Employee Trust Director set out in paragraphs 9 to 12 shall be followed or that the alternative procedure as mentioned in paragraph 13 shall apply.

9. On any occasion on which a vacancy arises for an Employee Trustee Director whether by retirement by rotation, increase in the number of Employee Trustee Directors or otherwise, the directors of the Company shall invite nominations for Employee Trustee Directors from amongst all Qualifying Employees. Any such nomination must be seconded by a Qualifying Employee. The closing date for receipt of such nominations must not be earlier than 7 days after the date of the notice seeking nominations.
10. Notice of a ballot of Qualifying Employees for the purpose of sanctioning the appointment of an Employee Trustee Director shall be given within 7 days of the closing date for the receipt of nominations. If there is more than one vacancy for an Employee Trustee Director, a separate ballot of Qualifying Employees may be held for the purpose of approving the appointment of each new Employee Trust Director.
11. A ballot of Qualifying Employees held for the purposes of the provisions of this Schedule shall be conducted in accordance with the provisions set out in Schedule 3 to the Deed.
12. The candidate selected in such a ballot shall be the candidate in whose favour the highest number of votes was cast. In the event of a tie, a second ballot shall be held.

Alternative procedure for the selection of Employee Trustee Directors by Employee Representatives.

13. An Employee Trust Director shall be appointed pursuant to this paragraph if he or she is selected and nominated by members of an independent trade union which is recognised by the Company

Retirement of Employee Trustee Directors

14. At the first Annual General Meeting of the Trustee and at every subsequent Annual General Meeting of the Trustee [one] of the Employee Trustee Directors shall retire from office. Each such retirement shall take effect on conclusion of the relevant Annual General Meeting.
15. The Employee Trustee Director to retire by rotation shall be the [one] who has been longest in office since his last appointment or reappointment, but, as between persons who became or were last reappointed Employee Trustee Directors on the same day, the one to retire shall (unless they otherwise agree among themselves) be determined by lot.
16. The ballot of Qualifying Employees to decide who shall replace an Employee Trustee Director retiring by rotation shall be held at a date sufficiently in advance of the relevant Annual General Meeting of the Trustee so as to ensure that the result of the ballot is known and so that the appointment of the successful candidate as an Employee Trustee Director can take effect at the conclusion of that Annual General meeting. An Employee Trustee Director retiring by rotation shall be eligible to be nominated as a candidate to fill the vacancy.
17. An Employee Trustee Director shall retire and his office as a director of the Trustee shall be vacated if:
 - 17.1. he ceases for any reason to be a Qualifying Employee;

- 17.2. he ceases for any reason to be resident in the United Kingdom for the purposes of United Kingdom taxation; or
- 17.3. he acquires a material interest in any company which is a member of the Group.

Nominated Trustee Directors

- 18. A Nominated Trustee Director who is not an Employee Trustee Director shall be selected and appointed to hold office by the directors of the Company.
- 19. A Nominated Trustee Director shall retire and his office as a Trustee Director shall be vacated if:
 - 19.1. he ceases for any reason to be resident in the United Kingdom for the purposes of United Kingdom taxation;
 - 19.2. he becomes bankrupt or makes any arrangement or composition with his creditors generally;
 - 19.3. he is, or may be, suffering from mental disorder and either:
 - 19.3.1. he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1984; or
 - 19.3.2. an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs; or
 - 19.4. he resigns his office as Trustee Director by 30 days' written notice to the Company.

Initial Trustee Directors

- 20. The directors of the Original Trustee initially appointed to hold office as such from the date of execution of the Deed shall be the individuals whose names appear in column A of the table below, each of whom shall have been selected to hold such office in the capacity referred to opposite his or her name in column B of that table and in accordance with the provisions of this Schedule applicable to such Trustee Director.

Table of initial Trustee Directors of the Original Trustee

<u>Column A</u> <u>Name of Director</u>	<u>Column B</u> <u>Status of Trustee Director</u>
	Nominated Trustee Director
	Employee Trustee Director

- 21. The Trustee shall adopt as the date of its Annual General meeting in respect of any year the date of the Annual General Meeting of the Company for the same year.

22. The provisions of this Schedule shall have effect subject to the provisions of the Deed so that, in the event of any conflict between the provisions of this Schedule and those of the Deed, the provisions of the Deed shall prevail.

SCHEDULE 3

PROVISIONS GOVERNING A BALLOT OF EMPLOYEES (PARAGRAPHS 11 AND 16 OF SCHEDULE 2)

1. **General**

These provisions may be supplemented by such regulations (not inconsistent herewith) as the Trustee may from time to time lay down.

2. **Eligibility**

The only persons eligible to vote in a ballot are Qualifying Employees.

3. **Printing of ballot papers**

The Company shall cause to be produced (on behalf of the Trustee but at the expense of the Company) a number of ballot papers sufficient for the holding of the ballot.

4. **Contents of ballot papers**

Every ballot paper shall include the following:

- 4.1. a statement that the method of voting is by the marking of the ballot paper in the boxes provided and that the Qualifying Employee voting should not sign or make any other mark on the ballot paper because otherwise his vote will not be counted; and
- 4.2. a direction to the Qualifying Employee as to where the envelope provided is to be sent and the date by which the envelope is to reach the destination in order that the vote will be counted.

5. **Marking of ballot papers**

- 5.1. Nothing shall be written or printed and no mark shall be made on any part of any ballot paper or envelope or be inserted in any envelope save as provided in the provisions of this Schedule 3 and in particular nothing shall be marked or indicated on any ballot paper or envelope or inserted in any envelope by any person which can in any way identify the Qualifying Employee voting.
- 5.2. Any contravention of this rule by a Qualifying Employee voting shall render the ballot paper invalid and the vote shall not be counted.

6. **Voting in secret**

The ballot shall be conducted so as to secure that (so far as is reasonably practicable) those voting do so in secret.

7. **One vote**

No Qualifying Employee shall be entitled to more than one vote.

8. Voting without interference and at no cost

Every Qualifying Employee who is entitled to vote in the ballot on the questions to be determined shall:

- 8.1. be allowed to vote without interference from, or constraint imposed by, the Company or any of its officers, members or employees; and
- 8.2. so far as is reasonably practicable, be enabled to do so without incurring any direct cost to himself.

9. Ballot papers

- 9.1. So far as is reasonably practicable every Qualifying Employee who is entitled to vote in the ballot shall be sent a ballot paper:
 - 9.1.1. by post to his last known address; or
 - 9.1.2. with his pay notification.
- 9.2. In the case of service of ballot papers by post, ballot papers posted shall be deemed served 24 hours after posting.

10. Determination of date of counting

The Directors shall determine the date on which the counting of votes will commence.

11. Notice

- 11.1. Notice shall be published at the [main place of business] of the Company that a ballot will take place.
- 11.2. The notice shall specify the subject matter or matters of the ballot and also as appropriate:
 - 11.2.1. the date by which the ballot papers will be sent to Qualifying Employees;
 - 11.2.2. the address or location to which completed ballot papers must be returned; and
 - 11.2.3. the date before which the ballot papers must reach the [main place of business] (which must be at least 48 hours and not more than 21 days after service of the ballot papers).

12. Date of sending out ballot papers

The Directors shall determine the day by which the ballot papers shall be sent to Qualifying Employees(which shall be not less than 7 days before the date on which the counting of votes will commence).

13. Voting paper and envelopes

The Directors shall secure that every Qualifying Employee shall have sent to him, by either of the methods referred to in rule 8 and by the date determined under rule 12:

- 13.1. a ballot paper; and
- 13.2. an envelope capable of being sealed on which is printed or written "ballot paper", and which is addressed to 'The Counting Officer', followed by the address of the location for return of ballot papers. [The envelope will bear a postage stamp or other stamp or mark showing that the envelope may be returned to the head office by post without direct cost to the voter.]

14. Late delivery of ballot paper

Where in any particular circumstances, it is not, or is no longer, reasonably practicable for a Qualifying Employee to be sent a ballot paper and envelope by the date determined under rule 12, a ballot paper and envelope shall be sent to him under rule 13 as soon as is reasonably practicable after that date so as to give him a convenient opportunity to vote by post.

15. Checklist

The name of each Qualifying Employee to whom a ballot paper is sent shall be checked off, or recorded, in a list or other record of Qualifying Employees.

16. Return of ballot papers

Every Qualifying Employee who desires to vote must return his ballot paper personally or by post (duly marked and in the envelope provided) to arrive at the location for return of ballot papers before the date on which the counting of votes is to commence and the Directors shall secure that such envelopes are placed unopened (as and when received) in a locked receptacle and are so retained until the time fixed for the counting of the votes.

17. Fair and accurate counting

The ballot shall be conducted so as to secure that the votes given in the ballot are fairly and accurately counted (any inaccuracy in counting being disregarded for the purposes of this paragraph 17 if it is accidental and on a scale which could not affect the provisions governing the ballot).

18. Rejection of ballot papers

The Directors or a majority of them shall decide whether any ballot paper shall be rejected as being invalid under rule 5 and shall immediately separate any ballot paper so rejected and mark it 'rejected'.

19. Counting

Counting of the votes shall be undertaken by the nominee(s) of the Directors at a duly convened meeting of the Directors and the nominees, and the declaration of the Chairman of the Directors as to the results shall be conclusive.

20. Informing Qualifying Employees of results

As soon as is reasonably practicable after the ballot the Company shall take such steps as are reasonably necessary to ensure that all persons entitled to vote in the ballot are informed of:

- 20.1. the number of votes cast;

- 20.2. the number of votes rejected; and
- 20.3. the number of votes cast respectively for and against each motion.

21. **Deposit of ballot papers in a secure place**

The Company shall secure that the ballot papers which have been counted and those which have been rejected are respectively placed in sealed parcels which are then deposited in a secure place and kept so deposited for at least 12 months and that the lists or other records of Employees used for the ballot are kept available for at least 12 months.

22. **Interpretation**

In this Schedule 3:

- 22.1. "ballot paper" means a ballot paper in the form required by paragraphs 4 and 5 of this Schedule;
- 22.2. "the Directors" means the directors of the Company from time to time;
- 22.3. "Qualifying Employees" means the Qualifying Employees on a date to be determined by the Directors being no later than the date of despatch of ballot papers and no earlier than the 7 days before the date of such despatch.