

Notice of the 2017 Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, you are recommended to seek your own personal advice from your stockbroker, accountant or other independent professional adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares in Zotefoams plc, you should forward this document and other documents enclosed (except the personalised form of proxy) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting (the 'AGM') of Zotefoams plc (the 'Company') will be held at the registered office of the Company, 675 Mitcham Road, Croydon CR9 3AL on 17 May 2017 at 10.00 am for the following purposes:

Ordinary business

To consider and, if thought fit, pass resolutions numbered 1 to 12 below as ordinary resolutions:

1. To receive the Annual Report of the Company for the year ended 31 December 2016.
2. To approve the New Directors' Remuneration Policy set out on pages 41 to 52 (inclusive) in the Annual Report.
3. To approve the Annual Statement by the Chair of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2016 set out on pages 40 and 41 and 52 to 61 (inclusive) in the Annual Report.
4. To declare a final dividend for the year ended 31 December 2016 of 3.9 pence per ordinary share, such dividend to be payable on 25 May 2017 to shareholders who are on the register of members of the Company at the close of business on 21 April 2017.
5. To re-elect A C Bromfield as a Director who retires by rotation.
6. To re-elect M-L Clayton as a Director who retires by rotation.
7. To re-elect R J Clowes as a Director who retires by rotation.
8. To re-elect S P Good as a Director who retires by rotation.
9. To re-elect G C McGrath as a Director who retires by rotation.
10. To re-elect D B Stirling as a Director who retires by rotation.
11. That PricewaterhouseCoopers LLP be and is hereby re-appointed as Auditors of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company.
12. To authorise the Audit Committee to determine the Auditors' remuneration.

Special business

To consider and, if thought fit, to pass the following resolutions of which resolutions 13, 17 and 18 will be proposed as ordinary resolutions and resolutions 14, 15, 16 and 19 will be proposed as special resolutions:

13. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the 'Act'):
 - (a) to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being 'relevant securities') up to an aggregate nominal amount of £740,240 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (b) below in excess of £740,240); and further
 - (b) to allot equity securities (as defined in Section 560 of the Act) up to an aggregate nominal amount of £1,480,481 (such amount to be reduced by the nominal amount of any allotments or grants made under paragraph (a) above) in connection with an offer by way of rights issue:
 - (i) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and
 - (ii) to holders of any other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,
 but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal, regulatory or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever;
 - (c) provided that, unless previously revoked, varied or extended, this authority shall expire on the earlier of 30 June 2018 and the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.
14. That if resolution 13 is passed, the Directors be authorised to allot equity securities (as defined in Section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be limited:
 - (a) in favour of holders of ordinary shares in the capital of the Company, where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as practicable) to the respective number of ordinary shares in the capital of the Company held by them; and

(b) to the allotment of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £111,036,

such authority to expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 June 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

15. That if resolution 13 is passed, the Directors be authorised in addition to any authority granted under resolution 14 to allot equity securities (as defined in Section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if Section 561 of the Act did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £111,036; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the conclusion of the next Annual General Meeting of the Company (or, if earlier, on 30 June 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

16. That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 5 pence each ('ordinary shares') provided that:

(a) the maximum number of ordinary shares authorised to be purchased is 4,441,444;

(b) the minimum price which may be paid for any such ordinary share is 5 pence;

(c) the maximum price which may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and

(d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of 30 June 2018 and the conclusion of the next Annual General Meeting, but the Company may enter into a contract for the purchase of ordinary shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

17. That the rules of the Zotefoams plc Long-Term Incentive Plan 2017 (the '2017 LTIP'), described in the circular of which the notice containing this resolution forms part and in the form produced in draft to the meeting and for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted and that the Directors be and are hereby authorised to do all such other acts and things as they may consider appropriate to implement the 2017 LTIP.

18. That the rules of the Zotefoams plc Deferred Bonus Share Plan 2017 (the '2017 DBSP'), described in the circular of which the notice containing this resolution forms part and in the form produced in draft to the meeting and for the purposes of identification initialled by the Chairman of the meeting, be and are hereby approved and adopted and that the Directors be and are hereby authorised to do all such other acts and things as they may consider appropriate to implement the 2017 DBSP.

19. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Dated: 5 April 2017

By order of the Board

Registered Office:
675 Mitcham Road
Croydon
CR9 3AL

J W Kindell
Company Secretary

Notice of the 2017 continued Annual General Meeting

Notes

- (i) Pursuant to Part 13 of the Companies Act 2006 and to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at the close of business on 15 May 2017 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
- (ii) If you wish to attend the AGM in person please bring some form of identification (such as driver's licence or bankcard) and present this to the Company's reception desk on arrival.
- (iii) A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him or her. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed or has been sent to you separately. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.
- (iv) To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 10.00 am on 15 May 2017.
- (v) The proxy form includes details on how to vote electronically. The notes to the proxy form also include instructions on how to appoint a proxy by using the CREST proxy appointment service. You may not use any electronic address provided either in this notice of AGM or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
- (vi) In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.
- (vii) The following information is available at www.zotefoams.com: (1) the matters set out in this notice of AGM; (2) the total numbers of shares in the Company, and shares in each class, in respect of which members are entitled to exercise voting rights at the AGM; (3) the totals of the voting rights that members are entitled to exercise at the AGM, in respect of the shares of each class; and (4) members' statements, members' resolutions and members' matters of business received by the Company after the first date on which notice of the AGM was given.
- (viii) If you are a person who has been nominated by a member to enjoy information rights in accordance with Section 146 of the Companies Act 2006, notes (iii) to (v) above do not apply to you (as the rights described in these notes can only be exercised by members of the Company) but you may have a right under an agreement between you and the member by whom you were nominated to be appointed or to have someone else appointed, as a proxy for the meeting. If you have no such right or do not wish to exercise it, you may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
- (ix) A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in notes (iii) to (v) above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's Articles of Association and the relevant provision of the Companies Act 2006.
- (x) Members attending the AGM have the right to ask, and, subject to the provisions of the Companies Act 2006, the Company must cause to be answered, any questions relating to the business being dealt with at the AGM.
- (xi) As at the close of business on 4 April 2017, the Company's issued share capital comprised 44,414,442 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company. No ordinary shares were held in treasury and accordingly the total number of voting rights in the Company as at the close of business on 4 April 2017 is 44,414,442.
- (xii) Shareholders should note that it is possible that, pursuant to requests made by shareholders of the Company under Section 527 of the Companies Act 2006, the Company may be required to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with the auditors of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with Section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with Sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under Section 527 of the Companies Act 2006, it must forward the statement to the Company's Auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under Section 527 of the Companies Act 2006 to publish on a website.
- (xiii) Copies of the Executive Directors' service contracts with the Company and any of its subsidiary undertakings, deeds of indemnity in favour of the Directors and letters of appointment of the Non-Executive Directors are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM.

Explanatory notes to the resolutions

Ordinary business

Resolution 1 – Receiving the Annual Report

Shareholders will be asked to receive the Company's Annual Report for the financial year ended 31 December 2016, as required by law.

Resolutions 2 and 3 – Directors' Remuneration Policy and Remuneration Report

Resolution 2 seeks Shareholder approval for the new Directors' Remuneration Policy, which can be found on pages 41 to 52 (inclusive) of the Annual Report. The new Directors' Remuneration Policy will replace the current Directors' Remuneration Policy which was approved at the AGM held on 20 May 2014. The new Directors' Remuneration Policy sets out the Company's future policy on Directors' remuneration, including the setting of the Directors' pay and the granting of share awards. Details on how the policy will be applied in practice in 2017 are set out in the Annual Report on Remuneration on pages 52 and 53 of the Annual Report. If Resolution 2 is approved, the new Directors' Remuneration Policy will become effective immediately.

Resolutions 3 seeks shareholder approval of the remuneration report for the year ended 31 December 2016 which can be found on pages 40 and 41, and 52 to 61 (inclusive) of the Annual Report.

The Company's Auditors, PricewaterhouseCoopers LLP, have audited those parts of the Directors' remuneration report that are required to be audited and their report may be found on pages 67 to 71 of the Annual Report.

Resolution 4 – Declaration of dividend

This resolution concerns the Company's final dividend payment. The Directors are recommending a final dividend of 3.9 pence per ordinary share in respect of the year ended 31 December 2016 which, if approved, will be payable on 25 May 2017 to the shareholders on the register of members on 21 April 2017.

Resolutions 5 to 10 – Re-election of Directors

The UK Corporate Governance Code requires all directors of FTSE 350 companies to stand for annual re-election. Whilst the Company is not within the FTSE 350, best practice for listed companies is to follow this requirement and, therefore, the Board has decided for this year that all the Directors will stand for annual re-election. Resolutions 5 to 10 concern the re-election of A C Bromfield, M-L Clayton, R J Clowes, S P Good, G C McGrath and D B Stirling.

Biographies for the Directors are set out on pages 32 and 33 of the report and accounts for the year ended 31 December 2016. The Chairman having undertaken performance reviews of the Directors and the Non-Executive Directors of the Chairman, the Board is satisfied that each Director continues to be effective and demonstrates commitment to the role and recommends that each Director should be re-elected.

Resolutions 11 and 12 – Re-appointment of Auditors and their remuneration

Resolution 11 concerns the re-appointment of PricewaterhouseCoopers LLP as the Company's Auditors, to hold office until the conclusion of the Company's next general meeting where accounts are laid.

Resolution 12 authorises the Audit Committee to determine the Auditors' remuneration.

Special Business**Resolution 13 – Power to allot shares**

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £740,240, representing approximately one-third (33.33%) of the nominal value of the issued ordinary share capital of the Company as at 4 April 2017, being the latest practicable date before publication of this notice. In addition, in accordance with the latest institutional guidelines issued by the Investment Association, paragraph (b) of resolution 13 grants the Directors authority to allot further equity securities up to an aggregate nominal value of £1,480,481, representing approximately two-thirds (66.67%) of the nominal value of the issued ordinary share capital of the Company as at 4 April 2017, being the latest practicable date before publication of this notice. This additional authority may be only applied to fully pre-emptive rights issues.

The intention of the authority granted pursuant to paragraph (b) of resolution 13 is to preserve maximum flexibility and if the Directors do exercise this authority, they intend to follow best practice as regards its use.

The Company does not currently hold any shares as treasury shares within the meaning of Section 724 of the Companies Act 2006 ('Treasury Shares').

The Directors do not have any present intention of exercising the authorities conferred by resolution 13 but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 30 June 2018, whichever is the earlier.

Resolutions 14 and 15 – Authority to allot shares disregarding pre-emption rights

These resolutions authorise the Directors in certain circumstances to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). Resolution 14 authorises the Directors to issue shares either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £111,036, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 4 April 2017 being the latest practicable date before publication of this notice. Resolution 15 authorises the Directors to issue a further 5% of the issued ordinary share capital of the Company, but only to be used to raise finance for an acquisition or a specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles) which is announced contemporaneously with the allotment, or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

Unless revoked, varied or extended, these authorities will expire at the conclusion of the next AGM of the Company or 30 June 2018, whichever is the earlier.

The Directors consider that the powers proposed to be granted by these resolutions are necessary to retain flexibility, although they do not have any intention at the present time of exercising them.

Resolution 16 – Authority to purchase shares (market purchases)

This resolution authorises the Board to make market purchases of up to 4,441,444 ordinary shares (representing approximately 10% of the Company's issued ordinary shares as at 4 April 2017, being the latest practicable date before publication of this notice). Shares so purchased may be cancelled or held as Treasury Shares. The authority will expire at the end of the next AGM of the Company or 30 June 2018, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent AGMs.

The minimum price that can be paid for an ordinary share is 5 pence being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

As at 4 April 2017, being the latest practicable date before publication of this notice, there were outstanding awards under the Company's long-term incentive schemes (excluding the Share Incentive Plan) in respect of 650,501 ordinary shares in the capital of the Company representing 1.5% of the Company's issued ordinary share capital. If the authority to purchase the Company's ordinary shares were exercised in full, such awards would represent 1.6% of the Company's issued ordinary share capital.

Resolutions 17 and 18 – Share Plans

Resolutions 17 and 18 are to authorise the adoption of the following new employee share plans:

- the Zotefoams plc Long-Term Incentive Plan 2017 (the '2017 LTIP');
- the Zotefoams plc Deferred Bonus Share Plan 2017 (the '2017 DBSP');

(together the 'New Share Plans').

The New Share Plans replace the Company's existing LTIP that will expire in 2017 and the Deferred Bonus Share Plan ('Old Share Plans'). Shareholder approval is sought for the approval of the New Share Plans at the AGM to ensure that the Company has the appropriate share incentives and that they operate consistently with the Directors' Remuneration Policy. No new awards will be made under the Old Share Plans after the date of the Annual General Meeting, provided shareholder approval is obtained for the New Share Plans.

The New Share Plans reflect the Directors' Remuneration Policy as set out in the Directors' remuneration report and for which shareholder approval is sought (see resolution 2 above). The principal terms of the New Share Plans are set out in the Appendix to this document on pages 115 to 118.

There are no material differences between the Old Share Plans and the New Share Plans, save for the following:

- Awards granted under the New Share Plans shall be conditional awards of shares, granting the holder the future right to receive shares providing that the relevant performance conditions have been met (in the case of the 2017 LTIP) and, where relevant, the relevant holding period has expired.
- The 2017 LTIP will have the provision to allow the Remuneration Committee to impose an additional holding period of up to two years after the end of the performance period, which might include a phased release of the vested Shares during that period.
- Addition of revised leaver and change of control provisions.

The rules of the New Share Plans will be available for inspection during normal business hours on Monday to Friday (excluding bank holidays) at the Company's registered office and on its website from the date notice of the AGM is given and until the close of the AGM and at the place of the AGM for at least 15 minutes before the AGM and during the AGM.

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Resolution 19 – Notice period for general meetings

Under the Companies Act 2006, a listed company must give at least 21 days' notice of its general meetings. However, this Act enables general meetings (other than AGMs) to be held on shorter notice of not less than 14 days provided the shareholders have given their consent at the previous AGM or a general meeting held since the last AGM. Resolution 19 seeks such approval similar to the resolution that was passed last year. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed. The Directors will always endeavour to give as much notice as possible of general meetings, but would like to have the flexibility to call a general meeting on the shorter permitted notice period for time sensitive matters that are clearly in the shareholders' interests. If the authority is used, the Company will offer the ability, as required by the Companies Act 2006, to vote electronically.

Recommendation

The Directors consider that the proposals being put to the shareholders at the AGM are in the best interests of the Company and of the shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the resolutions set out in the Notice of the AGM, as they intend to do in respect of their own beneficial holdings of ordinary shares.

Appendix

(which summarises the rules of the New Share Plans)

1. SUMMARY OF THE PRINCIPAL FEATURES OF THE ZOTEFOAMS PLC LONG-TERM INCENTIVE PLAN 2017 (2017 LTIP)

Eligibility

The 2017 LTIP will be operated and administered by the Remuneration Committee of the Board of Directors of the Company (the 'Remuneration Committee'). The Remuneration Committee will determine who may participate in the 2017 LTIP and this will extend to any employee (including an Executive Director) of the Company or any of the Company's subsidiaries.

Forms of Awards

Awards under the 2017 LTIP will be in the form of a conditional right to acquire ordinary shares ('Shares') in the Company ('Awards').

Performance conditions

Awards for Executive Directors of the Company will be subject to the satisfaction of a performance condition measured over a performance period of at least three financial years, which will determine the proportion (if any) of the Award which will be capable of vesting.

Performance conditions may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition that would not be materially less difficult to satisfy than the original condition was intended to be.

The performance conditions applicable to Awards granted in any one year will be fully disclosed in the Company's Annual Report for that year.

In relation to the testing of the performance condition and the ultimate number of Shares that vest, the Remuneration Committee will have the right, in its absolute discretion, to reduce (down to zero, if appropriate) the number of Shares that would vest, taking account of the performance of the Group and the contribution of the participant over the performance period.

Individual limits

The maximum Award that may be granted to a participant under the 2017 LTIP will be the limit as set out in the Directors' Remuneration Policy that is in force at the date of grant of the Award.

Grant of Awards

Awards may only be granted within the period of 42 days following the approval of the 2017 LTIP by the Company's shareholders, the announcement of the Company's results for any period, from the date on which an individual becomes an eligible employee under the rules of the 2017 LTIP or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during such period, the Company is restricted from granting Awards, Awards may be made immediately following such restrictions ceasing to apply.

Holding period

At the time of the grant of an Award, the Remuneration Committee may also determine whether the Award will be subject to an additional holding period of up to two years following the end of the performance period, which might include a phased release of the vested Shares during that period.

Dividends

The Remuneration Committee may determine that on the vesting of an Award a participant shall receive an amount in cash and/or Shares equivalent to the value of some or all of the dividends (and special dividends at the discretion of the Remuneration Committee) that would have been paid on the vested Shares between the date of grant and the date of vesting and, if applicable, between the date of vesting and the date of release of the Shares.

Reduction for malus and clawback

The Remuneration Committee may, in its absolute discretion, determine at any time within five years of the grant of an Award to:

- reduce the number of Shares to which an Award relates;
- cancel an Award;
- impose further conditions on an Award; or
- require the participant to transfer to the Company (or the Employees' Benefit Trust) a number of Shares or a cash amount, in circumstances where:
 - the financial statements or results for the Group are materially restated (other than restatement due to a change in accounting policy or to rectify a minor error);
 - if in the reasonable opinion of the Board of Directors of the Company and following consultation with the relevant Group member:
 - a participant has deliberately misled the management of the Company and/or the market and/or the Company's shareholders regarding the financial performance of any part of the Group;
 - the participant's actions have caused the Group company and/or the participant's business unit reputational damage;
 - a participant's actions amount to serious misconduct or conduct which causes significant financial loss for the Group and/or the participant's business unit; or
 - there have been overpayments, including any vesting under the 2017 LTIP, to the participant at a level higher than would have otherwise been the case due to material abnormal write-offs affecting any Group company on an exceptional basis.

Appendix continued (which summarises the rules of the New Share Plans)

Vesting of Awards

The extent to which the performance conditions have been achieved and the level at which an Award consequently vests will normally be determined as soon as practicable after the end of any performance period (or on such later date as the Remuneration Committee determines).

Any Shares that are to be released to a participant in respect of a vested Award will be released as soon as practicable after the date of vesting and normally within 30 days unless the Remuneration Committee has determined that an additional holding period of up to two years shall apply to the vested Award.

Cessation of employment

Where the participant ceases to be employed by any member of the Group prior to the vesting of an Award by reason of death, ill health, injury, disability, retirement, a sale or transfer out of the Group of the participant's employing company or business, redundancy or for any other reason at the Remuneration Committee's discretion (a "Good Leaver"), a participant's unvested Award will vest at the end of the normal performance period on a proportionate basis, dependent on the time elapsed between the date of grant and the date of cessation of employment and taking account of the extent to which any performance conditions have been met during that period, and shall be released following the expiry of the normal holding periods, unless the Committee determines that the Award shall vest on such other date as the Committee may specify at the date of cessation.

Where an additional holding period applies and the participant ceases to be employed by any member of the Group after the determination of the performance condition but prior to the expiry of any holding period, due to any reason other than gross misconduct on the part of the participant, the vested Award shall be released to the former employee on the original holding period release date.

A participant whose employment ceases due to voluntary resignation will not be entitled to receive any unvested LTIP Awards, but will be entitled to retain Awards that have vested and/or are in the holding period; any such vested Awards will be released on the original holding period release dates.

In the case of participants who are not Good Leavers the Remuneration Committee shall determine the extent to which (if any) and when their Award(s) shall vest or lapse.

Corporate events

On a change of control of the Company, the number of Shares in respect of which Awards vest shall be determined by the Remuneration Committee, subject to the extent to which any performance condition has been satisfied at the date of change of control and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period).

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or if the Remuneration Committee determines any other event, require Awards to be exchanged for equivalent awards which relate to Shares in a different company.

If other corporate events occur such as a demerger, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the value of Shares to a material extent, the Remuneration Committee may determine that Awards will vest conditional upon the event occurring. The number of Shares in respect of which Awards vest shall be determined by the Committee, having regard to the extent to which any performance condition has been satisfied and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). If the event does not occur, Awards will continue on their original terms.

Adjustments

In the event of any rights issue or capitalisation, sub-division, consolidation, reduction or other variation of the ordinary share capital, the Remuneration Committee may make such adjustments as it considers appropriate to the number of Shares subject to Awards.

2. SUMMARY OF THE PRINCIPAL FEATURES OF THE ZOTEFOAMS PLC DEFERRED BONUS SHARE PLAN 2017 (2017 DBSP) Eligibility

The 2017 DBSP will be operated and administered by the Remuneration Committee. The Remuneration Committee will determine who may participate in the 2017 DBSP and this will extend to any Executive Director or employee designated a senior executive of the Company or any of the Company's subsidiaries by the Remuneration Committee.

Forms of Awards

Awards under the 2017 DBSP are in the form of a conditional right to acquire ordinary shares ("Shares") in the Company ("Awards").

Value of Awards

Employees selected to participate will be required to defer a percentage of any annual bonus earned and will receive an Award over the number of Shares equivalent to the amount of bonus so deferred. The percentage of any bonus deferred into an Award shall not normally be less than 25%.

The number of Shares awarded shall be not more than the number of the Company's issued Shares having a market value as at the date of grant equivalent to the value of the percentage of the bonus deferred.

Grant of Awards

In any financial year of the Company, the Remuneration Committee shall decide whether the DBSP is to operate in respect of that year.

Awards may only be made within the period of 42 days following the announcement of the Company's results for any period, from the date on which an individual is selected to participate in the 2017 DBSP or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during such period, the Company is restricted from awarding Shares, Awards may be made immediately following such restrictions ceasing to apply.

Dividends

The Remuneration Committee may determine that on the vesting of an Award a participant shall receive an amount in cash and/or Shares equivalent in value to some or all of the dividends (and special dividends at the discretion of the Remuneration Committee) that would have been paid on the vested Shares between the date of award and the date of vesting and, if applicable, between the date of vesting and the date of release of the Shares.

Reduction for malus and clawback

The provisions dealing with reduction for malus and clawback are materially the same as outlined above for the 2017 LTIP.

Vesting of Awards

The release date of Awards shall normally be the third anniversary of the date of the award. A later date may be specified by the Remuneration Committee at the date of grant.

Any Shares that are to be released to a participant in respect of a vested Award will be released as soon as practicable after the date of vesting and normally within 30 days.

Cessation of employment

Where the participant ceases to be employed by any member of the Group due to gross misconduct on the part of the participant, his or her Awards will lapse. Where the participant ceases to be employed for any other reason, except voluntary resignation, unless the Remuneration Committee decides otherwise, the Awards shall be released to the former employee on the original release dates. Awards may be released to an employee who voluntarily resigns at the discretion of the Remuneration Committee.

Corporate events

On a change of control, all Awards shall vest immediately.

If other corporate events occur such as a demerger, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the value of Shares to a material extent, the Remuneration Committee may determine that Awards will vest conditional upon the event occurring. If the event does not occur, Awards will continue.

Adjustments

If there is a variation in the Company's share capital before any release date of an award, the Remuneration Committee shall notify each participant who may give irrevocable directions as to the action to be taken, save that on a rights issue no action shall be taken unless the participant has provided the full amount payable or made funds available out of another part of the rights attributable to the participant's Shares.

3. SUMMARY OF THE PRINCIPAL FEATURES COMMON TO THE 2017 LTIP AND 2017 DBSP

Each of the following features are common to each of the 2017 LTIP and 2017 DBSP (together 'New Share Plans').

Terms of Awards

Awards may be granted over newly issued Shares, Treasury Shares or Shares purchased in the market. Awards are not transferable (other than on death). No payment will be required from participants for the grant of any Awards.

Limits on the issue of Shares

The New Share Plans are subject to the following overall limits:

- On any date, the number of Shares which may be issued or issuable pursuant to rights granted in the preceding ten-year period under the New Share Plans and under any other employees' share plan adopted by the Company may not exceed 10% of the issued ordinary share capital of the Company on that date; and
- on any date, the number of Shares which may be issued or issuable pursuant to rights granted in the preceding ten-year period under the 2017 LTIP, 2017 DBSP and any other discretionary employees' share plan adopted by the Company may not exceed 7.5% of the Company's issued ordinary share capital on the day preceding that date.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise. Shares purchased in the market are not subject to these limits.

The above limits may be varied by the Remuneration Committee to take into account any variation in the Company's share capital from time to time.

Rights attaching to Shares

All Shares provided under the New Share Plans will rank pari passu with all other Shares of the Company for the time being in issue (save as regards any rights attaching to such Shares by reference to a record date prior to the date of issue or transfer to the participant).

Appendix continued (which summarises the rules of the New Share Plans)

Amendments and termination

The Remuneration Committee may amend the New Share Plans at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of employees relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Shares comprised in an award and the impact of any variation of capital.

However, any minor amendment to benefit administration, or any amendment to take account of legislative changes, or to obtain or maintain favourable tax, exchange control or regulatory treatment in any jurisdiction, may be made by the Remuneration Committee without shareholder approval.

No further awards may be made under the New Share Plans on or after the tenth anniversary of the approval by shareholders of the New Share Plans, but the rights of existing participants will not be affected by any termination.

Overseas plans

The Remuneration Committee may establish such sub-plans or schedules to the New Share Plans, modified to take account of local tax, exchange controls or securities laws if required to do so or if it is beneficial to do so in any overseas jurisdiction, provided that any Shares made available under such plans are treated as counting against the limits on individual and overall participation in the New Share Plans.

Pension benefits

Benefits under the New Share Plans are non-pensionable.