

Notice of the 2018 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 16 May 2018 at 10.00 am for the following purposes:

Ordinary business

To consider and, if thought fit, pass resolutions numbered 1 to 11 below as ordinary resolutions:

1. To receive the Annual Report of the Company for the year ended 31 December 2017.
2. To approve the Annual Statement by the Chair of the Remuneration Committee and the Annual Report on Remuneration for the year ended 31 December 2017 set out on pages 46 and 56 (inclusive) in the Annual Report.
3. To declare a final dividend for the year ended 31 December 2017 of 4.02 pence per ordinary share, such dividend to be payable on 24 May 2018 to shareholders who are on the register of members of the Company at the close of business on 20 April 2018.
4. To elect J D Carling as a Director.
5. To elect D G Robertson as a Director.
6. To re-elect A C Bromfield as a Director who retires by rotation.
7. To re-elect S P Good as a Director who retires by rotation.
8. To re-elect G C McGrath as a Director who retires by rotation.
9. To re-elect D B Stirling as a Director who retires by rotation.
10. 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.
11. 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 12 and 16 will be proposed as ordinary resolutions and resolutions 13, 14, 15 and 17 will be proposed as special resolutions:

12. 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 2019 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.

13. That if resolution 12 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 2019) 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.
14. That if resolution 12 is passed, the Directors be authorised in addition to any authority granted under resolution 13 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 2019) 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 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 2019 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.
16. That the rules of the Zotefoams plc Approved Share Option Plan 2018 (the '2018 ASOP'), 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 2018 ASOP, including making any changes to the rules of the 2018 ASOP necessary or desirable in order to ensure that the Directors can make a valid declaration to HM Revenue & Customs that the 2018 ASOP satisfies the requirements of Schedule 4 to the Income Tax (Earning and Pensions) Act 2003.
17. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

Dated: 4 April 2018

By order of the Board

Registered Office:
675 Mitcham Road
Croydon
CR9 3AL

J W Kindell
Company Secretary

Notice of the 2018 Annual General Meeting

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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 14 May 2018 (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 14 May 2018.
- (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 3 April 2018, 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 3 April 2018 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 2017, as required by law.

Resolution 2 – Directors' Remuneration Report

Resolution 2 seeks shareholder approval of the Directors' Remuneration Report for the year ended 31 December 2017 which can be found on pages 46 to 56 (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 61 to 65 of the Annual Report.

The Shareholders approved the current Directors' Remuneration Policy at the AGM held on 17 May 2017 and it became effective immediately. As there have been no changes to the Directors' Remuneration Policy, there is no need to seek further approval of it at this year's AGM. The current intention is to submit the Directors' Remuneration Policy for Shareholder approval at the AGM scheduled for 2020, unless, in the interim, there are specific changes that require Shareholder approval. The Directors' Remuneration Policy may be found in the 2016 Annual Report on pages 41 to 52 (inclusive).

Resolution 3 – Declaration of dividend

This resolution concerns the Company's final dividend payment. The Directors are recommending a final dividend of 4.02 pence per ordinary share in respect of the year ended 31 December 2017 which, if approved, will be payable on 24 May 2018 to the shareholders on the register of members on 20 April 2018.

Resolutions 4 to 9 – Election and re-election of Directors

Resolutions 4 and 5 concern the election of J D Carling and D G Robertson, who were both appointed to the Board since the last AGM was held on 17 May 2017.

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 6 to 9 concern the re-election of A C Bromfield, S P Good, G C McGrath and D B Stirling.

R J Clowes will not be standing for annual re-election and will be retiring from the Board at the close of the AGM.

Biographies for the Directors are set out on pages 36 and 37 of the Annual Report for the year ended 31 December 2017. 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 10 and 11 – Re-appointment of Auditors and their remuneration

Resolution 10 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 11 authorises the Audit Committee to determine the Auditors' remuneration.

Special Business

Resolution 12 – 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 3 April 2018, 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 3 April 2018, 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 12 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 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 2019, whichever is the earlier.

Resolutions 13 and 14 – 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 13 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 3 April 2018 being the latest practicable date before publication of this notice. Resolution 14 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 2019, whichever is the earlier.

The Directors consider that the powers proposed to be granted by these resolutions are necessary to retain flexibility to allot shares.

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Resolution 15 – 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 3 April 2018, 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 2019, 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 3 April 2018, 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 805,899 ordinary shares in the capital of the Company representing 1.8% 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 2.0% of the Company's issued ordinary share capital.

Resolution 16 – Approved Share Option Plan

Resolution 16 is to authorise the adoption of the Zotefoams plc Approved Share Option Plan 2018 (the '2018 ASOP').

The 2018 ASOP replace the Company's existing ASOP that will expire on 8 May 2018 (the 'Old Share Plan'). Shareholder approval is sought for the approval of the 2018 ASOP at the AGM to ensure that the Company has the appropriate share incentives. No new awards will be made under the Old Share Plan after 8 May 2018.

There are no material differences between the Old Share Plan and the 2018 ASOP, save for the following:

- addition of malus and clawback arrangements; and
- addition of revised leaver and change of control provisions.

The rules of the 2018 ASOP 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 of this document 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.

Resolution 17 – 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 17 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 2018 ASOP)

SUMMARY OF THE PRINCIPAL FEATURES OF THE ZOTEFOAMS PLC APPROVED SHARE OPTION PLAN 2018 (2018 ASOP)

Eligibility

The 2018 ASOP 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 2018 ASOP and this will extend to any employee (including any executive directors of subsidiaries) of the Company or any of the Company's subsidiaries. Directors granted options under the ASOP must be full-time Directors devoting not less than 25 hours a week to the performance of their duties. Options cannot be granted to a participant who has a material interest in the Company.

Operation

Under the 2018 ASOP, selected employees and Executive Directors will be granted options over ordinary shares in the Company ("Shares") at an exercise price that is equal to or more than market value ("Options"). Options granted under the 2018 ASOP are intended to be qualifying options under Schedule 4 of ITEPA ("Schedule 4") and as such qualify for beneficial tax treatment.

Performance conditions

Options shall be subject to the satisfaction of a performance condition measured over a performance period if options are granted to Executive Directors of the Company. Whilst Options granted to other employees of the Group may be subject to the satisfaction of a performance condition, this will be determined by the Remuneration Committee at the time of grant.

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 would not be materially less difficult to satisfy than the original condition was intended to be.

Individual limits

For Executive Directors of the Company, the maximum number of Options that may be granted under the 2018 ASOP will be the limit as set out in the Directors' Remuneration Policy that is in force at the date of grant of the Option.

No option holders may be granted an option under the 2018 ASOP such that the market value of the Shares granted under it or any other option granted under the 2018 ASOP or any other option plan qualifying under Schedule 4 exceeds £30,000, calculated at the date of grant.

Grant of Options

Options may only be granted within the period of 42 days following the approval of the 2018 ASOP 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 2018 ASOP or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during such period, the Company is restricted from granting Options,

Options may be made immediately following such restrictions ceasing to apply.

Exercise Price

The exercise price of Options is determined by the Remuneration Committee and must not be less than the market value of a Share calculated either as the price on the business day before the date of grant or, if the Remuneration Committee determines, the average price over a number of business days, not exceeding five, preceding the date of grant.

Exercise of Options

Options may normally only be exercised between the third and tenth anniversary of the grant date. To the extent not exercised during this period the Option will lapse. Any Options which are subject to performance conditions may normally only be exercised after the third anniversary of the grant date to the extent any conditions have been met.

If a participant dies, his or her Option may be exercised to the extent that any performance conditions have been satisfied by his or her personal representatives for a period of 12 months following death to the extent vested (or to such further extent as the Remuneration Committee may determine). If a participant ceases to be employed by the Company or any other member of the Group by reason of ill health, injury, disability, a sale of the entity that employs the participant out of the Group, or for any other reason at the Remuneration Committee's discretion, Options can be exercised to the extent vested within 6 months of the date of cessation of employment provided the options have not already lapsed.

The Remuneration Committee has the discretion to allow the Option to be exercised in full.

If a participant ceases to be employed by the Company for any other reason, Options will lapse on the earlier of the date notice of such cessation is received from the participant or when the participant ceases to hold office or employment.

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 Option to:

- reduce the number of Shares to which an Option relates;
- cancel an Option;
- impose further conditions on an Option; 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);

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- if in the reasonable opinion of the Remuneration Committee 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 2018 ASOP, 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.

Corporate events

On a change of control of the Company, the number of Shares in respect of which Options vest shall be determined by the Remuneration Committee, having regard 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 such vesting to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). The Options will then be exercisable for a period of one month and will then lapse.

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or if the Remuneration Committee determined any other event, require Options to be exchanged for equivalent options 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 Options will vest conditional on the event occurring. The number of Shares in respect of which Options vest shall be determined by the Remuneration 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, Options will continue on their original terms.

Adjustments

In the event of any rights issue or capitalisation, subdivision, 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 and the exercise price subject to Options.

Terms of Awards

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

Limits on the issue of Shares

The 2018 ASOP is 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 10 year period under the 2018 ASOP 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 10 year period under the 2018 ASOP 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 2018 ASOP 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).

Amendments and termination

The Remuneration Committee may amend the 2018 ASOP 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 2018 ASOP on or after the tenth anniversary of the approval by shareholders of the 2018 ASOP, 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 2018 ASOP, 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 2018 ASOP.

Pension benefits

Benefits under the 2018 ASOP are non-pensionable.