24 APRIL 2024

Agenda and Explanatory Notes of the Extraordinary General Meeting

of

Pepco Group N.V.

on

6 June 2024 at 14.30 (CET)

Agenda and Explanatory Notes of the Extraordinary General Meeting (the **EGM**) of Pepco Group N.V. (the **Company**) which will be held at 14.30 CET on 6 June 2024.

This document provides you with a description of the agenda items to be considered during the EGM. It is indicated on the agenda when an item is for your voting at the EGM. We encourage you to read this information carefully and hope that you will agree with the recommendation of the board of the Company (the **Board**) to vote in favour of the proposals.

All information regarding the EGM can be found at www.pepcogroup.eu.

Agenda

1. Opening

2. Composition of the Board
   a. Appointment of Stephan Borchert as an executive member of the Board for a term of three years (**voting item**)
   b. Appointment of Frederick Arnold as a non-executive member of the Board for a term of three years (**voting item**)

3. Amendment to the Company's Directors' Remuneration Policy (**voting item**)

4. Approval of a share matching plan (**voting item**)

5. Any other business

6. Closing of the meeting

Explanatory Notes to the Agenda

Item 2: Composition of the Board

The following persons are proposed for appointment as executive or non-executive members of the Board (as applicable):

Item 2a: Stephan Borchert, German, 1969 (voting item)

In accordance with article 14, section 3, of the Company's articles of association (the **Articles of Association**), the Board has made a binding nomination to appoint Stephan Borchert as an executive member of the Board.

It is proposed that the general meeting appoints Stephan Borchert as an executive member of the Board in accordance with the nomination of the Board with effect from 1 July 2024 for a period ending by close of the Company's annual general meeting to be held in 2027.

Stephan is an accomplished CEO with a strong track record of leading international companies across various sectors including fashion, beauty, pharmacy and healthcare services. His extensive experience in leading complex, multi-brand retail businesses globally and in EMEA made him the stand-out candidate in the search process.

Stephan served from 2018 to 2022 as CEO of GrandVision, the global leader in optical retail operating more than 7,400 stores in more than 40 countries worldwide under more than 33 different retail banners, with annual revenue of €4bn.

He led GrandVision – owner of the Vision Express and Apollo Optik chains in Europe – until it was acquired by EssilorLuxottica in July 2022, delivering significant value for shareholders.

Pre-acquisition at Amsterdam-listed GrandVision, Stephan worked closely with the supervisory board and a majority shareholder to develop a new growth strategy underpinned by a centralised technology platform, investments in omni-channel, the customer proposition and supply chain capability.

Prior to GrandVision, Stephan was President of Sephora EMEA on the Global Executive Committee, where he again improved profitability and increased revenue, while accelerating the beauty and cosmetics retailer’s omni-channel development. He is currently holding non-executive director roles at two major pan-European retail companies in the sector of beauty and apparel.

Relevant external appointments:

- Non-Executive (Supervisory) Director JORACO BV (Hunkemöller BV) (Hilversum; NL)
- Non-Executive (Supervisory) Director Rituals Cosmetics BV (Amsterdam; NL)

Stephan and Pepco Group N.V. entered into a letter of appointment to the role of non-executive member of the Board with effect from 1 July 2024, subject to appointment by the general meeting. The agreed remuneration is in accordance with the Company’s remuneration policy, subject to the approval of the revised policy by the general meeting.

The main conditions are as follows:

- Base salary of £900,000 gross (exclusive of pension contribution)
- Variable remuneration:
    - participation in the Company’s share matching plan (as described below) at a participation rate of 200% salary

- 300% salary participation in the Performance Share Plan (previously known as the Group Long Term Incentive Plan)
  - 150% salary opportunity under the short term incentive plan
- Pension: 13% cash contribution based on annual salary
- Relocation allowance of £8,000 per month net for a period of 18 months
- Notice period: 12 months
- Customary benefits

Item 2b: Frederick Arnold (USA, 1954) (voting item)

In accordance with article 14, section 3, of the Articles of Association, the Board has made a binding nomination to appoint Fred Arnold as a non-executive member of the Board.

It is proposed that the general meeting appoints Fred Arnold as a non-executive member of the Board in accordance with the nomination of the Board with effect from the close of the EGM on 6 June 2024 for a period ending by close of the Company's annual general meeting to be held in 2027.

Fred is an experienced senior financial executive who has served on the boards of numerous public and private UK and US companies. He has experience serving as board chair, audit committee chair and chair of a variety of transactional and other special committees.

Fred has significant financial leadership experience and has led the global finance functions of a series of private equity owned portfolio companies. Prior to this, Fred accrued 20 years of investment banking experience, primarily at Lehman Brothers and Smith Barney (where he was Managing Director, Head of European Investment Banking). He has extensive experience in acquisitions and divestitures and in global equity and debt capital markets. Fred was educated at Yale Law School (JD), Oxford University (MA, Jurisprudence) and Amherst College (BA, Economics).

The Company expects to benefit from Mr Arnold’s extensive financial experience as well as previous experience in chairing the audit committee.

Relevant current external appointments:

- Navient Corporation
- Metropolitan Gaming Holdco Ltd. (Chairman)

Fred is independent within the meaning of the Dutch Corporate Governance Code and the Code of Best Practice for WSE Listed Companies.

He does not currently hold shares in the capital of the Company.

Fred and Pepco Group N.V. entered into a letter of appointment to the role of non-executive member of the Board with effect from 6 June 2024, subject to approval by the general meeting. The agreed remuneration is in accordance with the Company’s remuneration policy.

The main conditions are as follows:

- Fixed annual fee: £78,000
- Audit Committee Chair fee: £28,000

Item 3: Amendments to the Company's Directors’ Remuneration Policy (voting item)

The non-executive members of the Board have decided to propose to amend selected items of the existing remuneration policy for the members of the Board (the Director's Remuneration Policy) in accordance with article 14, paragraph 9, of the Articles of Association.

The existing Director's Remuneration Policy was approved by the annual general meeting held in 2023, and amended by the general meeting held in March 2024.

It is proposed that the general meeting amends the Directors' Remuneration Policy as follows:

- amend the policy for Executive Director service contracts to include six months' notice of termination from either party to allow a notice period of up to twelve-months' notice of termination from either party;
- provide a right for the Executive Directors to participate in the Pepco Group NV Share Match Plan (a summary of which can be found at item 4 below);
- introduce relocation support for Executive Directors who relocate to perform their role; and
- to reflect the current position of the VCP and PSP.

The Board's rationale for the changes is to ensure the Pepco Group NV Directors' Remuneration Policy allows the Company to attract and retain the best global talent.

A copy of the Pepco Group NV Directors' Remuneration Policy that reflects all of the proposed amendments is attached at Annex 1 to this Notice.

Item 4: Approval of a Share Matching Plan (voting item)

This voting item seeks approval from the general meeting to implement the Pepco Group NV Share Matching Plan (the **SMP**) for the Company's employees (including Executive Directors).

Employees invited to participate in the SMP may invest up to two times their base salary (the Investment Amount) in shares within a 12-month period and be granted a matching award that gives them the right to receive matching shares at the end of the third, fourth and fifth financial years (with the first financial year being the year in which the grant date falls). The total number of matching shares under the matching award may be up to six times the number of invested Shares. Vesting of the matching award is also normally subject to the achievement of performance conditions.

A summary of the SMP is attached at Annex 2 to this Agenda.

Annex 1

Directors' Remuneration Policy
(adopted at the AGM 2 February 2023, amended at the AGM 15 March 2024)
[Amendments proposed 24 April 2024]

This document sets out the Remuneration Policy for Pepco Group N.V. (the Company) as revised and adopted by the General Meeting on [date]. The Remuneration Policy is a revision of the policy adopted during the AGM of 2 February 2023. Policy revisions have been made to reflect the time and effort spent by the Non-Executive directors, to align with market conditions, introduce the SMP, to reflect the current VCP and PSP position and as required to further the interests of the Company and its shareholders.

The Remuneration Policy will be reviewed and (re-)adopted by General Meeting at least every three years, requiring a simple majority decision of the General Meeting. Annually the Board will report to the General Meeting on the manner in which the Remuneration Policy was implemented with respect to the remuneration of the Directors during the past financial year. The General Meeting has an advisory vote on the remuneration report.

Introduction

The Policy is designed to incentivise and reward long-term, sustainable growth of the Company.

The Policy contributes to the business strategy, the long-term interests, and the sustainability of the Company by:

- providing remuneration opportunities that are intended to attract and retain qualified Executive Directors;
- including performance measures and targets that are aligned with the business strategy;
- enabling the Remuneration Committee to recover payments made in circumstances that did not warrant the payment;
- balancing the levels of fixed and variable pay in a manner suitable to the Company's circumstances;
- delivering the long-term incentive element in shares and requiring demanding levels of shareholding to be built and maintained by Executive Directors; and
- being satisfactorily tested against the following six factors:

1. *Clarity* – the Policy will be as clear as possible and the implementation will be described in straightforward concise terms to stakeholders, including shareholders and the workforce, annually in the remuneration report.
2. *Simplicity* – remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy and minimising the risk of rewarding failure.
3. *Risk* – the Policy has been shaped to discourage inappropriate risk taking and enhance sustainability through a weighting of incentive pay towards long-term incentives, a balance between financial and non-financial measures in the annual bonus, and a minimum five-year period between the grant of any long-term incentives and the date Executive Directors are freely able to dispose of their shares.
4. *Predictability* – elements of the Policy are subject to caps and dilution limits. The Remuneration Committee may exercise its discretion to adjust the outturn if a formula-driven incentive payout is inappropriate in the circumstances. However, all payments made to Directors will be made in line with the Policy in force at the time, unless it is necessary to deviate from applying the Policy to ensure the long-term interests and stability of the Company or for its profitability, in which case the Company may temporarily deviate from applying the Policy in relation to the relevant individual. In all other cases specific shareholder approval will be sought prior to any payments or awards being made outside of the Policy.
5. *Proportionality* – there will be a sensible balance between fixed pay and variable pay and incentive pay will be weighted to sustainable long-term performance. Incentive plans will be subject to performance conditions that consider both financial and non-financial performance linked to strategy and long-term value creation and stability. Outcomes will not reward poor performance.
6. *Alignment to culture and values* – the Remuneration Committee considers Company culture and wider workforce policies and pay levels when shaping and developing executive remuneration policies to ensure there is coherence across the organisation whilst avoiding discrimination. There is an emphasis on fairness of remuneration outcomes across the workforce and in the context of wider society. The discretions afforded to the Remuneration Committee enable it to amend the formulaic outcomes from incentives or Executive Directors in several circumstances and they will enable it to take these issues into account.

The Remuneration Committee considers the way that employees in the Group are remunerated in applying the Policy.

The Remuneration Committee is also conscious of the Group's identity, mission, values, customer viewpoint and culture in making its decisions in relation to the implementation of the Policy each year. It receives periodic updates on these factors from within the Group and seeks external advice when it is felt to be relevant.

The values of **simplicity**, **integrity** and **teamwork** are themes running through how the Policy operates, with shareholder alignment through equity-based incentives and shareholder value creation emphasising the fourth value of **enterprise** for the talented entrepreneurs leading the Group's businesses.

The Policy will apply to all remuneration arrangements for Directors unless it is necessary, for the long-term interests and stability of the Company or for its profitability, to temporarily deviate from applying the Policy in relation to the individual covered by the Policy.

Internal pay ratios

When determining the total remuneration of the Executive Directors, the Remuneration Committee considers the internal pay ratio of the appropriate external benchmark and the Company's position within the external benchmark. In addition, increases provided to other employees are considered.

Remuneration components for the Executive Directors

The following elements of the Policy have been designed to be related to relevant market levels and complement one another. Each element of remuneration has a specific role to play and does not duplicate another as described below.

Base salary

Base salaries will be determined considering several factors including the Director's role, experience and skills, and market data.

Increases will generally be in line with the increase for the rest of the workforce, but the Remuneration Committee retains the discretion to increase salaries above this rate where appropriate (for example a material change to the scope of the role, or where the salary is materially out of line with market levels).

Individuals who are recruited or promoted to the Board may, on occasion, have their salaries set below the targeted Policy level until they become established in role. In such cases, subsequent increases in salary may be higher than the average until the target positioning is achieved.

Pension and benefits

Executive Directors will receive a separate pension entitlement either in the form of participation in a defined contribution pension scheme with up to 5% employee and 8% employer contribution or cash in lieu of pension at a rate of 13% of base salary, consistent with that of the wider workforce. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. Executive Directors are eligible to receive other benefits including the same benefits offered to the general workforce.

Variable remuneration

The Executive Directors are eligible to receive short-term and long-term variable remuneration. Payment of the remuneration is dependent on the achievement of pre-established financial and nonfinancial targets. Both the short and long-term incentives are linked to predetermined, measurable objectives which may be key performance indicators and correlate with the business strategy. Performance targets are set at a level to maintain good financial health enabling the Company to perform well, deliver shareholder returns and invest sustainably to achieve the strategic goals.

Scenario analyses are carried out annually to examine the relationship between the performance criteria chosen and the possible outcomes for the variable remuneration of the Executive Directors to ensure a link between remuneration and performance. The outcome is used to verify whether chosen performance criteria sufficiently support the Company's strategic objectives and are appropriate under both the short-term and long-term incentive components of total remuneration.

Annual bonus plan

The objectives of the annual bonus plan are to align the interests of Executive Directors to those of the Company and deliver reward only where performance warrants it. This is achieved through the performance measures selected and the targets that determine how much of the annual bonus will be earned in any year. Performance measures are aligned to the business strategy and stretching target ranges are set in the context of the business' challenges for the year.

The bonus payable to any Executive Director will be a maximum of 150% of salary. The annual bonus will be paid entirely in cash following the determination of the performance targets being met.

Bonus payouts will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Remuneration Committee. No more than 20%

of the overall bonus opportunity will be payable by reference to performance against personal and strategic targets.

Key financial measures will comprise of any combination of EBITDA, return on investment, cash flow and other corporate financial measures may make up the financial element of the bonus, which will be at least 80% of the overall opportunity. Bonus targets used will be disclosed in the relevant Directors' remuneration report in the following year, subject to issues of commercial sensitivity.

The Remuneration Committee relies on the financial results from the audited accounts and assesses any non-corporate financial performance targets using the expertise of independent advisors or recommendations from the Company's Non-Executive Directors. It may also rely on calculations performed by the internal audit function.

Discretion to adjust the provisional bonus outturn may be exercised in cases where the Remuneration Committee believes that it would be appropriate to ensure that the amount of any bonus is reflective of the underlying business performance of the Group and/or wider circumstances.

Long-term incentive plans (LTIPs)

The Group will have 3 long term incentive plans, namely;

VCP (Value Creation Plan): introduced in 2020, it has a single participant remaining and will run until the end of the 2025 financial year, with the outcome measured in January 2026.

PSP (Performance Share Plan, and previously referred to as the LTIP): introduced for the 2023-24 financial year and will be the main LTIP for the Executive Directors and other employees. It has a 3 year performance period.

SMP (Share Matching Plan): a new plan proposed to be introduced on 1 July 2024 to allow Executive Directors and other employees to directly invest in Pepco shares and receive a certain number of matching shares. It has a 5 year performance period.

VCP

The VCP was largely replaced with the PSP in December 2023, leaving one remaining participant. The Company does not anticipate making any further grants under the VCP.

Participants share in a set percentage of market capitalization growth above a fixed hurdle of a 10% per annum increase in the value of the market capitalization from 1 October 2022. Each participant has been allocated their own share of the upside above the hurdle out of the total pool of 6.5%. Andy Bond, the sole remaining participant, (in his capacity as the Chair of the

Board) has received an allocation of 1.0%. When the VCP value is calculated participants receive their share in the value of the whole Company.

The value created above the hurdle is measured annually and "banked" as nil-cost option grants for the seven-year period. However, payouts can occur over a period of up to nine years where there has been exceptional performance.

An overall earnings cap of €52m per annum applies, irrespective of the additional value generated. If this cap is met, the value will be pro-rated using the 6.5% plan total, irrespectively of whether the full 6.5% has been allocated or not. Any value created above the cap will be capable of being earned in future years as the "high water mark" of valuation will equal the value at which the cap is applied. In addition, if any nil-cost options are granted in years 4, 5 and 6 then there will be a one-year delay before the hurdle test described above will apply to these nil-cost options. The final hurdle test will then apply for year 7 (financial year ended 30 September 2026).

Malus and clawback

Malus and clawback provisions apply to the awards.

Annual cap

Vesting is also subject to an annual cap of €14m for Andy Bond (chair), and a maximum cap of €10m for any Executive Director. Any nil cost options that have met the hurdle tests but not have not vested by the end of the 9th year (i.e. 30 September 2028) due to the application of an annual cap will vest irrespective of the application of the cap.

February 2021

Exceptionally, the nil cost options granted under the VCP in February 2021 will have a final vesting opportunity in January 2025 subject to satisfaction of the vesting measures set for the fiscal year 2023-24.

PSP

Under the PSP, individuals are granted awards either as performance share awards or restricted stock units (RSUs). The maximum market value of shares that may be awarded to any one participant in each year is 300% of salary (comprising a maximum of 300% of salary for performance share awards, 150% of salary for RSUs or a combination of the two in the same proportions). Performance share awards will have performance conditions that are normally assessed over three years. Awards may be subject to a holding period and a holding period of two years will apply to Executive Directors. Malus and clawback provisions apply to the awards.

SMP

Individuals invited to participate in the SMP may invest up to two times their base salary (the Investment Amount) in shares within a 12-month period and be granted a matching award that gives them the right to receive matching shares at the end of the third, fourth and fifth financial years (with the first financial year being the year in which the grant date falls) subject to the achievement of performance conditions. The total number of matching shares under the matching award may be up to six times the number of invested shares in aggregate. A participant in the SMP may not normally be awarded restricted stock units RSUs under the PSP.

Recovery and withholding provisions

In accordance with the Dutch Civil Code, the Non-Executive Directors will be entitled, on behalf of the Company, to recover variable payments paid to Directors, in full or in part, to the extent that payment thereof has been made based on incorrect information about the realisation of the underlying goals or about the circumstances from which the entitlement to the bonus arose.

Furthermore, the Non-Executive Directors may adjust the outcome of variable remuneration to an appropriate level if payment of the variable remuneration is unacceptable according to the requirement of reasonableness and fairness. Any application of claw back or discretion will be disclosed and explained in the relevant company’s Annual remuneration report. The recovery and withholding provisions applying to any new LTIP will be considered before implementation to ensure compliance with law and relevant market practice at the time.

Shareholding requirements

During employment, Executive Directors are required to build and maintain a shareholding equivalent to 300% and 200% of their base salary for the CEO and other Executive Directors respectively. Executive Directors will be encouraged to build up their shareholding over time by retaining at least 50% of the net of tax (and social security) value of shares received under the incentive plans until the requirement is met.

Recruitment policy

Consistent with market practice, remuneration packages for any new appointments to the Board (including internal hires) will be set in line with the Policy. For external appointments, the Company recognises that it may need to provide remuneration for forfeited awards from the previous employer (buy-out awards). To the extent possible, the design of buy-out awards will be made on a broadly like-for-like basis and shall be no more generous than the terms of the incentives it is replacing, taking into account the performance conditions attached to the vesting of the forfeited incentives, the timing of vesting and the likelihood of vesting. If an Executive

Director relocates to perform their role, additional support may be provided for a defined period of time (including, but not limited to, temporary accommodation, flights, immigration assistance and relocation allowance).

Termination of employment policy

Executive Directors have a service contract requiring up to twelve months' notice of termination from either party. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits and pension, with any such payments normally being paid in monthly instalments over the remaining notice period. Payments would be reduced to offset earnings from other employment. In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There is currently no provision for additional remuneration on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

Treatment of other elements of the Policy (including the annual bonus and VCP) will vary depending on whether an Executive Director is defined as a "good" or "bad" leaver. Bad leavers will not be eligible to receive an annual bonus payout and outstanding awards will lapse. However, in certain circumstances, at the discretion of the Remuneration Committee, good leaver status may be applied. Good leavers will generally be eligible to receive an annual bonus payout and outstanding VCP (and any future LTIP) awards. The annual bonus, VCP , SMP and LTIP awards will be subject to the satisfaction of the relevant performance criteria tested at the normal date and, ordinarily, the outcome will be calculated on a time pro-rata basis. The Remuneration Committee will have the ability to allow the awards to vest with no time pro-rating in exceptional circumstances.

All-employee share plans

The Executive Directors are eligible to participate in any all-employee share plan operated by the Company. Participation will be capped by the limits imposed by any relevant tax authorities in relation to the respective plan that might be operated.

Discretions retained by the Remuneration Committee

The Remuneration Committee may apply discretion when permitted by the various plan rules in operating the various incentive plans including in relation to:

- determining vesting under the incentive plans;

- determining the status of leavers and, where relevant, the extent of vesting;
- determining the payments due in the event of a change of control;
- making appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends); and
- adjusting existing targets if events occur that cause the Remuneration Committee to determine that the targets set are no longer appropriate and that amendment is required so the relevant award can achieve its original intended purpose, provided that the new targets are not materially less difficult to satisfy in the opinion of the Remuneration Committee.

To the extent discretion is applied in a year, this will be disclosed in the relevant Directors' remuneration report.

Statement of conditions elsewhere in the Company

The Remuneration Committee will consider pay and employment conditions across the Company when reviewing the remuneration of the Executive Directors and other senior employees. In particular, the Remuneration Committee will consider the range of base pay increases across the Group as well as wider workforce remuneration and related policies.

Consideration of shareholder views

The Remuneration Committee will take the views of stakeholders, including shareholders, seriously and these views will be taken into account in shaping Policy and practice. Shareholder views will be considered when evaluating and setting remuneration strategy and the Committee commits to consulting with key shareholders prior to any significant changes to its Policy.

Non-Executive Directors

The Chair of the Board and independent Non-Executive Directors have letters of appointment with an initial three-year term. The Chair of the Board receives an all-inclusive fee of £400,000 gross. Independent Non-Executive Directors are paid a base fee of £78,000 gross and the following additional fees:

- Membership of a Board Committee: £7,000 gross per annum per Board Committee;
- Chair of the Audit Committee: £28,000 gross per annum;
- Chair of the Remuneration Committee: £23,000 gross per annum;
- Chair of the Nomination Committee: £18,000 gross per annum; and
- Senior Independent Director: £18,000 gross per annum.

The fees for the Chair of the Board, independent Non-Executive Directors, members and Chairs of Board Committees and the Senior Independent Director will be subject to annual review providing for increases normally up to the increase for the workforce but with the Board retaining the discretion to increase fees above this rate where appropriate (for example a material change to the scope of the role), or where the fee is materially out of line with market levels.

With the exception of the Chair of the Board, the Non-Executive Directors who are not independent will not receive a fee for their services.

Reasonable expenses incurred in carrying out their duties may be reimbursed including any personal income tax payable by the Non-Executive Directors because of reimbursement of those expenses. Fees are reviewed periodically.

Other than the Chair of the Board, who will participate in the VCP, the other Non-Executive Directors will not participate in any incentive plans.

The proportion of fixed and variable remuneration

To support the Policy's objectives to deliver long-term sustainable success of the Company, the remuneration package of our Executive Directors includes a mix of fixed and variable remuneration. The proportion for 2023 is approximately 61% for fixed pay and 39% for variable remuneration on a target basis.

Variable pay is split between the annual bonus and long-term incentives.

Annex 2

Summary of the Share Matching Plan

The Pepco Group N.V (the Company) Share Matching Plan (SMP) has been adopted by the Board in a meeting held on 7 February 2024. The SMP has been designed by the Board to further promote the long-term success of the Company and the Group by aligning reward with the values of the Company and the Group and encourage the creation of long-term value for stakeholders.

Further details on the rules of the SMP are set out below:

Administration

The SMP will be administered by the Board or a duly authorised committee of the Board, such as the remuneration committee of the Board.

Eligibility

All employees (including Executive Directors) of the Group (Employees) may be eligible to participate in the SMP at the discretion of the Board.

Operation

Employees invited to participate in the SMP may invest up to two times their base salary in shares (the **Investment Shares**) within, normally, a 12-month period and be granted a matching award that gives them the right to receive matching shares at the end of the third, fourth and fifth financial years (with the first financial year being the year in which the grant date falls). The total number of matching shares under a matching award may be up to six times the number of the Investment Shares. The Board may offer different matching ratios to different employees and different ratios for tranches of the Investment Shares (e.g. 50% of the Investment Shares may be matched at 2:1 and 50% of the Investment Shares may be matched at 1:1).

Vesting of the matching award is, normally, conditional upon the participant retaining all their Investment Shares throughout the period to the vesting date. Matching awards are also normally subject to the achievement of performance conditions. The performance conditions will generally be measured over three financial years, but the Board retains discretion to set different performance periods for different matching awards.

Any performance condition may be amended or substituted if one or more events occur which cause the Board to consider that an amended or substituted performance condition would be fairer and would not be materially more or less difficult to satisfy.

The Board will have the discretion to adjust the level of vesting up or down if, in its opinion, the formulaic outcome is not appropriate in the circumstances.

Source of shares and dilution limits

The Investment Shares will be purchased by the participant in the market.

Matching awards may be satisfied by newly issued shares, shares purchased in the market by an employee benefit trust or by the transfer of shares held in treasury.

The number of new shares issued or remaining capable of being issued pursuant to awards under the SMP and any awards granted under any other employee share plan of the Company will not exceed 10% of the issued share capital of the Company in issue from time to time.

The number of new shares issued or remaining capable of being issued pursuant to awards under the SMP and any other discretionary share plan of the Company will not exceed 5% of the issued share capital of the Company in issue from time to time.

If awards are to be satisfied by a transfer of existing shares, the percentage limits stated above will not apply. Insofar as it is necessary to ensure compliance with the guidelines issued from time to time by institutional investors, the percentage limits will apply to awards satisfied by the transfer of shares held in treasury.

Grant of awards

Matching awards may be granted during the 42 days commencing on any of the following:

approval of the SMP by shareholders;

- the day on which the Company makes an announcement of its results for any period;
- any day on which the Board resolves that exceptional circumstances exist which justify the grant of awards; or
- the day following the lifting of any dealing restrictions which prevented the grant of the award during the periods referred to above.

No payment will be required for the grant of a matching award but if an employee fails to purchase the Investment Shares by any specified deadline then the matching award may lapse.

Holding period

The Board may grant matching awards subject to a holding period. This may apply to the net of tax number of shares received on vesting of a matching award. Where necessary, a holding period will apply for all Executive Directors so that the combined vesting and holding period is 5 years.

Rights attaching to the shares

Participants will be able to enjoy all rights attaching to the Investment Shares save that they may be required to place the Investment Shares with a nominee or other account until their matching award has vested.

Shares transferred to a participant in respect of a matching award would not confer any rights to the participant until the relevant award has vested and the participant receives the underlying shares.

Shares allotted or transferred under the SMP will rank alongside shares of the same class then in issue. Awards are not transferable (except on death) and are not pensionable benefits.

Leavers

Generally, matching awards would lapse upon a participant ceasing to be an Employee within the Group.

However, if a participant ceases to be an Employee by reason of death, ill-health, injury, disability, redundancy, retirement, the sale or transfer of his employing company or undertaking out of the Group or for any other reason at the discretion of the Board, then their matching award would vest on the normal vesting date, subject to the participant retaining the Investment Shares. Alternatively, in such case, the Board may decide that the SMP award should vest immediately on the participant ceasing employment.

Vesting would still be subject to the satisfaction of any applicable performance conditions and there would also be a pro rata reduction in the number of shares that vest to reflect the proportion of the vesting period that remains outstanding at the date of cessation unless the Board determines otherwise.

Corporate events

Matching awards will generally vest early on a takeover or other corporate reorganisation. Alternatively, participants may exchange their awards for an equivalent award over shares in the acquiring company.

Where an award vests under these circumstances, the Board will assess performance against the performance targets and the number of shares which vest will be reduced accordingly, including to reflect the fact that it is vesting early, unless the Board determines otherwise.

In the case of a demerger or other extraordinary distribution or variation of share capital, where it is determined the interests of participants may be substantially prejudiced, some or all of the awards may be released. Where it has materially affected the value of the award the Board may make adjustments it considers appropriate.

Malus and clawback

Between the grant date and the fifth anniversary of the grant date, the Board can reduce, cancel or require a participant to repay all or part of a matching award in the event of:

- a material misstatement resulting in adjustment of the audited accounts of the Company or any Group Company;
- any action or conduct by the participant that amounts to fraud or gross misconduct;
- events or behaviour by the participant that have led to censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of a Group Company;
- the Company or any Group Company or business of the Group becoming insolvent or suffering a corporate failure that materially reduces the value of shares where the participant is in whole or part responsible;
- the assessment of a performance condition was based on error, or inaccurate or misleading information;
- the information used to determine the number of shares subject to the award was based on error, or inaccurate or misleading information; and/or
- a material failure of risk management of the Company or a Group Company.

Adjustment of awards

If there is any variation of the Company's share capital, or in the event of a demerger or payment of a special dividend or similar event which would otherwise materially affect the value of an award, the Board may adjust the number of shares under a matching award.

Amendment

The Board may amend the SMP in any respect. Where it concerns material changes to the number of awards that can be made to existing or new Executive Directors and/or the conditions under which such awards can be made, the Board will seek prior approval of shareholders in general meeting where legally required.

There is an exception for minor amendments to benefit the administration of the SMP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in the SMP or for any member of the Group.