

DATED 6 September 2005

PACE PLC¹

**RULES OF
THE PACE UNAPPROVED DISCRETIONARY SHARE OPTION PLAN 2005²**

As amended by the Remuneration Committee of the Company on 23 June 2008

**As further amended by the General Counsel and Company Secretary under power delegated by
the Directors on 17 March 2011 and on 24 April 2012**



¹ By resolution of the Company, Pace Micro Technology plc changed its name to Pace plc on 16 May 2008.

² By resolution of the Remuneration Committee of the Company on 23 June 2008, the name of the Plan changed from "The Pace Unapproved Discretionary Share Option Scheme 2005" to "The Pace Unapproved Discretionary Share Option Plan 2005".

THE PACE UNAPPROVED DISCRETIONARY SHARE OPTION PLAN 2005

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THE PACE UNAPPROVED DISCRETIONARY SHARE OPTION PLAN 2005

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PART A: INTERPRETATION AND ADMINISTRATION

This Plan is an employees' share scheme approved by resolution of the shareholders of the Company on 6 September 2005.

1. DEFINITIONS AND INTERPRETATION

1.1 In this Plan the following words and expressions shall have the meanings given below:-

"Acquiring Company"	a company which has acquired Control of the Company
"Announcement"	the preliminary announcement to the London Stock Exchange of the results of the Company for a financial year of the Company or the announcement of the interim results of the Company for a financial year
"Associated Company"	any company which, in relation to the Company, is an associated company as that term is defined in section 416 of the Taxes Act except that, for the purposes of this Plan, subsection (1) of that section shall have effect with the omission of the words "or at any time within one year previously"
"Auditors"	(a) the auditors for the time being of the Company; (b) if the Company has joint auditors, the auditors determined by the Committee; or (c) any other firm of registered auditors, as determined by the Committee
"Committee"	means:- (a) in relation to an Option granted or to be granted to an executive director of the Company or a member of the Executive Group, the Remuneration Committee of the Directors, or such other committee comprising a majority of non-executive directors of the Company to which the Directors delegate responsibility for the operation of this Plan or, following a change of Control of the Company, those persons who comprised the Remuneration Committee or such other committee of the Directors immediately before the change of Control; and (b) in relation to any other Option means a duly authorised committee of the Directors whose members include the Chief Executive
"Company"	Pace plc
"Control"	has the meaning given in section 840 of the Taxes Act
"CSOP Code"	has the meaning given in section 521(3) of ITEPA
"Daily Official List"	the Daily Official List of the London Stock Exchange
"Date of Approval"	the date on which the Plan is approved by shareholders
"Date of Grant"	in relation to any Option, the date on which such Option is granted in accordance with Rule 5

"Dealing Day"	a day on which the London Stock Exchange is open for business
"Directors"	the board of directors of the Company or a duly authorised committee of the directors
"Eligible Employee"	an employee (including an executive director) of any member of the Group
"other employees' share scheme"	<p>(a) The Pace Micro Technology Sharesave Scheme 1996, The Pace Micro Technology plc Approved Discretionary Share Option Scheme 1996, Pace Micro Technology plc Unapproved Discretionary Share Option Scheme 1996, The Pace 2000 Unapproved Share Option Scheme, Pace Americas US Sharesave Plan, Pace Micro Technology plc French Share Option Scheme 2001; and</p> <p>(b) any other employee Share Option or incentive schemes (except this Plan) established by the Company under which Shares have been or may be issued in the Company</p>
"Employer's NICs"	in the UK, secondary class I NICs and, in any other jurisdiction, such other social security contributions (or equivalent taxes) for which the Optionholder's Employer is primarily liable to account
"Exchange Act"	the US Securities Exchange Act of 1934, as amended
"Exchange of Options"	<p>the grant to the Optionholder, in consideration of the release of his Option, of rights to acquire Shares in an Acquiring Company or a company which has Control of an Acquiring Company or either is, or has Control of, a company which is a member of a consortium owning either an Acquiring Company or a company having Control of an Acquiring Company, being rights which are:-</p> <p>(a) in the opinion of the Directors, substantially equivalent in value to the value of such Option; and</p> <p>(b) on terms approved by the Directors</p>
"Executive Team"	the executive committee of the Company as appointed by the Directors from time to time
"Executive Group"	the Executive Team of the Company and a further number of Eligible Employees each of whom is selected by the Remuneration Committee on the basis that they provide a contribution to the Company of similar weight to that provided by members of the Executive Team PROVIDED THAT the Remuneration Committee shall keep a record of all members of such group
"Exercise Price"	the price per Share payable on the exercise of an Option
"Form of Acknowledgement"	a form of acknowledgement of an Option as mentioned in Rule 6

"Grantor"	the Company or such other person (including a Trustee) as intends to grant or has granted an Option
"Group"	the Company and any company which is for the time being either:- (a) a Subsidiary under the Control of the Company; or (b) is a Jointly-Owned Company to which the Directors have resolved that this Plan shall extend for the time being
"ITEPA"	the Income Tax (Earnings and Pensions) Act 2003
"Jointly-Owned Company"	has the meaning given in paragraph 34(5) of Schedule 4 and also any other company controlled by that jointly-owned company ³
"London Stock Exchange"	London Stock Exchange plc
"Market Value"	(a) if on any Date of Grant, Shares are admitted to the Official List, the middle market quotation of a Share as derived from the Daily Official List for the Dealing Day immediately preceding the Date of Grant; or (b) if the Shares are not admitted to the Official List, the market value of a Share on the Date of Grant as determined by the Directors
"Misconduct"	(a) in relation to a US Optionholder, such Optionholder's (i) failure to substantially perform his job responsibilities in good faith, (ii) commission of an act of dishonesty, fraud, wilful disobedience, gross misconduct or breach of duty which detrimentally affects any member of the Group or any Associated Company, (iii) unauthorised use, misappropriation, destruction or diversion of any tangible or intangible asset or corporate opportunity of any member of the Group or an Associated Company, (iv) any material breach of any employment or service agreement between the Optionholder and any member of the Group or any Associated Company, (v) participation in any business operation or enterprise that competes with, or solicits the business or employment of the customers, employees or suppliers of any member of the Group or any Associated Company, during such Optionholder's term of employment with any member of the Group or any Associated Company, or (vi) indictment on charges of any felony or a misdemeanour involving fraud, dishonesty, misappropriation or moral turpitude; and (b) in relation to any other Optionholder, circumstances justifying the summary dismissal of such Optionholder from his office or employment with any member of the Group or any Associated Company

³ Note that for Rule 701 purposes, US employees in a jointly-owned company can only participate if that company is owned by Pace as to more than 50%.

"Model Code"	the code adopted by the Company which contains provisions similar in purpose and effect to the provisions of the Model Code on directors' dealings in securities as set out in the Listing Rules issued by the UKLA
"NICs"	in the UK, National Insurance contributions or, in any other jurisdiction, social security contributions (or other similar taxes)
"NIC Option Gain"	a gain realised on the exercise or release of, or acquisition of Shares pursuant to an Option, being a gain treated as remuneration derived from the Optionholder's employment by virtue of section 4(4)(a) of the SSCBA
"N.I. Regulations"	the laws, regulations and practices currently in force relating to liability for, and the collection of, NICs
"Notice of Exercise"	a notice of exercise of an Option given in accordance with Rule 19.1
"Official List"	the official list of the UKLA
"Option"	a right to acquire Shares granted in accordance with, and subject to, the rules of this Plan
"Option Certificate"	a certificate evidencing the grant of an Option as mentioned in Rule 5.2
"Optionholder"	a person who has been granted an Option or, if that person has died and where the context requires, his Personal Representatives
"Optionholder's Employer" or "my Employer"	such member of the Group as is an Optionholder's employer or, if he has ceased to be employed within the Group, was his employer or such other member of the Group, or such other person as, under the PAYE Regulations or, as the case may be, the N.I. Regulations, or any other statutory or regulatory enactment (whether in the United Kingdom, the US or otherwise) is obliged to account for any Option Tax Liability
"Option Shares"	the Shares over which an Option subsists
"Option Tax Liability"	in relation to an Optionholder, any liability of an Optionholder's Employer to account to the Inland Revenue or other tax authority for any amount of, or representing, income tax or NICs (which shall, to the extent provided for in Rule 5.2.8, include Employer's NICs) or any equivalent charge in the nature of tax or social security contributions (whether under the laws of the United Kingdom, the US or of any other jurisdiction) (which, for the avoidance of doubt, will not include employer's payroll taxes in the US), which may arise upon the exercise or release of, or the acquisition of Shares pursuant to, an Option
"Ordinary Share Capital"	the issued ordinary share capital of the Company, other than fixed-rate preference shares including any Shares held in treasury
"PAYE Regulations"	the regulations made under section 684 of ITEPA

"Performance Condition"	the condition or conditions imposed on the exercise of an Option pursuant to Rule 13, as amended from time to time
"Performance Period"	the period over which the performance of the Company is to be measured for the purpose of determining whether, and to what extent, the Performance Condition is met
"Personal Data"	the name, home address and telephone number of an Optionholder, date of birth, National Insurance number, details of all rights to acquire Shares or other securities granted to the Optionholder and of Shares or other securities issued or transferred to the Optionholder pursuant to this Plan and any other personal information which could identify the Optionholder and is necessary for the administration of this Plan
"Personal Representatives"	<p>the personal representatives of an Optionholder, being either:-</p> <p>(a) the executors of his will to whom a valid grant of probate has been made; or</p> <p>(b) if he dies intestate, the duly appointed administrator(s) of his estate</p> <p>who, in either case, have produced to the Company evidence of their appointment as personal representatives</p>
"Salary"	the gross rate of basic annual salary (excluding any bonus, company pension contributions, and any other perquisites and benefits-in-kind) payable to a person at a given time by members of the Group
"Schedule 4"	Schedule 4 to ITEPA
"this Plan"	The Pace Unapproved Discretionary Share Option Plan 2005 as set out in these rules and amended from time to time pursuant to Rule 28
"Shares"	fully-paid ordinary shares in the capital of the Company (or, following a reconstruction, demerger or reorganisation of the Company, shares or other securities acquired by virtue of, or in exchange for, such shares)
"SSCBA"	the Social Security Contributions and Benefits Act 1992
"Subscription Option"	a right to subscribe for Shares granted in accordance with, and subject to, the rules of this Plan
"Subsidiary"	any company which is for the time being a subsidiary (as defined in section 736 of the Companies Act 1985) of the Company
"Taxes Act"	the Income and Corporation Taxes Act 1988
"TCGA"	the Taxation of Chargeable Gains Act 1992
"Trust"	an employees' share trust established by the Company for the benefit of employees of members of the Group

"Trustee"	the trustee(s) for the time being of a Trust
"UKLA"	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"US"	United States of America
"US Optionholder"	an Eligible Employee or Optionholder, as relevant in the context, who is resident in the US or is otherwise subject to US employment laws and/or US securities laws and/or US Federal Income Tax
"Vested Shares"	<p>Shares which may be acquired by the exercise of an Option either immediately or, subject to the Optionholder continuing to hold office or employment within the Group (or with any Associated Company), at some future time in consequence of:-</p> <p>(a) the Performance Condition having been satisfied or waived or;</p> <p>(b) if earlier, the Performance Condition having been deemed to be satisfied as mentioned in Rule 13.5 or Rule 13.6</p>
"Vesting Date"	the date on which the Optionholder is notified of the extent to which Option Shares have become Vested Shares in consequence of the Performance Condition being met to any extent

1.2 References to Shares in respect of which an Option subsists at any time are to be read and construed as references to the Shares over which the Option is then held (and in respect of which it has not then lapsed and ceased to be exercisable).

1.3 Words and expressions used in this Plan and in the ancillary documents which are not defined in this Rule 1 have the meanings they bear for the purposes of the CSOP Code.

1.4 Any reference to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.5 Words denoting the masculine gender shall include the feminine.

1.6 Words denoting the singular shall include the plural and vice versa.

1.7 References to rules are to the rules of this Plan and no account should be taken of the rule headings which have been inserted for ease of reference only.

2. ADMINISTRATION

2.1 The Directors may from time to time make and vary such rules and regulations consistent with the rules of this Plan and establish such procedures for their administration and implementation as they think fit.

2.2 If any question, dispute or disagreement arises as to the interpretation of this Plan or of any rules, regulations or procedures relating to it or as to any question or right arising from or related to this Plan, the decision of the Committee shall (except as regards any matter required to be determined by the Auditors) be final and binding upon all persons.

- 2.3 In any matter in which they are required to act in connection with this Plan, the Auditors shall be deemed to be acting as experts and not as arbitrators and the Arbitration Act of 1996 shall not apply.
- 2.4 The Company shall bear the costs of the implementation and administration of this Plan.

PART B: GRANT OF OPTIONS

3. ELIGIBILITY

- 3.1 Subject to the following provisions of this Rule 3, the Committee shall have absolute discretion as to the selection of persons to whom Options may be granted.
- 3.2 An Option may only be granted to an Eligible Employee.
- 3.3 An Option shall not be granted to any Eligible Employee within the period of 6 months ending with the date on which that person is bound to retire in accordance with his contract of employment.
- 3.4 An Option shall not be granted by any person other than the Company without the prior approval of the Directors.

4. TIMING OF GRANT OF AN OPTION

- 4.1 An Option may only be granted during the period of:-
 - 4.1.1 42 days following the Date of Approval;
 - 4.1.2 42 days beginning with the second Dealing Day following an Announcement;
 - 4.1.3 42 days immediately after the person to whom it is granted first becomes an Eligible Employee; or
 - 4.1.4 subject to the Model Code, at any other times but only if, in the opinion of the Committee, the circumstances are exceptional.
- 4.2 If the Grantor is restricted by statute, order or regulation (including any regulation, order or requirement imposed on the Company by the London Stock Exchange or any other regulatory authority) from granting an Option within any period as mentioned in Rules 4.1.1, 4.1.2 or 4.1.3, the Grantor may grant an Option at any time during the period of 42 days beginning with the date on which all such restrictions are removed.
- 4.3 No Option may be granted in breach of the Model Code.
- 4.4 No Option may be granted after 6 September 2015 or, if earlier, more than ten years after the date that this Plan was adopted by the Directors, as provided under Section 260.140.41(f) of Title 10 of the California Code of Regulations.

5. GRANT EFFECTED BY EXECUTION OF A DEED

- 5.1 An Option shall be granted by the Grantor executing a deed in such form as the Grantor specifies from time to time.
- 5.2 As soon as practicable after an Option has been granted the Company shall procure the issue to the Optionholder (or to a person on behalf of the Optionholder) of an Option Certificate (which may be in electronic form) which specifies:-
 - 5.2.1 the Grantor;
 - 5.2.2 the Date of Grant;
 - 5.2.3 the number of Option Shares;
 - 5.2.4 the Exercise Price;
 - 5.2.5 the Performance Condition;

- 5.2.6 the last date on which the Option may be exercised;
- 5.2.7 (unless the Committee otherwise determines) that it is a condition of exercise of the Option that the Optionholder agrees to indemnify the Grantor and the Optionholder's Employer in respect of any Option Tax Liability;
- 5.2.8 (unless the Committee otherwise determines) that it is a condition of exercise of the Option that the Optionholder shall:-
 - (a) agree with and undertake to the Company and any other company which is the Optionholder's Employer that the Optionholder's Employer may recover from the Optionholder, as mentioned in Rule 20.2, the whole or any part of any Employer's NICs payable in respect of any NIC Option Gain; and/or
 - (b) enter into a joint election with the Optionholder's Employer (in a form approved by the Inland Revenue under paragraph 3B of Schedule 1 to the SSCBA) for the transfer to the Optionholder of the whole, or such part as the Company may determine, of any liability of the Optionholder's Employer to Employer's NICs on any NIC Option Gain; and
- 5.2.9 any other conditions to which the Option is subject that are not expressly set out in this Plan

and is otherwise substantially in such other form as the Grantor specifies from time to time.

6. **ACKNOWLEDGEMENT OF AN OPTION**

- 6.1 Unless the Grantor otherwise determines for the grant of any Option, it shall be a condition of exercise that the Optionholder must notify the Grantor that he acknowledges the Option.
- 6.2 To acknowledge the Option, the Optionholder must execute, as a deed, and deliver to the Grantor a duly completed Form of Acknowledgement in such form as the Grantor specifies from time to time and notifies to the Optionholder.
- 6.3 The Form of Acknowledgement, if required, shall be returned to the Grantor within the period of 60 days following the Date of Grant (or such other time as the Grantor notifies to the Optionholder at the Date of Grant).
- 6.4 The Option shall lapse and cease to be exercisable if the Form of Acknowledgement is not returned by the specified date.

Data Protection

- 6.5 In accepting the grant of an Option, the Optionholder shall agree and consent to:-
 - 6.5.1 the collection, use, processing and transfer by any member of the Group and any Associated Company or Related Company, any administrator of this Plan, the Trustee or the Company's registrars or brokers and, if it is not the Company, the Grantor, of his Personal Data;
 - 6.5.2 any member of the Group and any Associated Company or Related Company, any administrator of this Plan, the Trustee or the Company's registrars or brokers and, if it not the Company, the Grantor, transferring the Optionholder's Personal Data amongst themselves for the purposes of implementing, administering and managing this Plan and the grant of Options and the acquisition of Shares pursuant to Options;
 - 6.5.3 the use of Personal Data by any such person for any such purposes; and

6.5.4 the transfer to and retention of Personal Data by third parties (whether or not any such third party is situated outside the European Economic Area) for or in connection with such purposes.

7. EXERCISE PRICE

7.1 Subject to Rule 7.2 and any adjustment being made pursuant to Rule 27, the Exercise Price shall be determined by the Committee (with the prior consent of the Grantor, if appropriate) but shall be not less than Market Value.

7.2 The Exercise Price in respect of a Subscription Option shall not (except as mentioned in subparagraph (c) of Rule 27.1) be less than the nominal value of a Share.

8. RELATIONSHIP WITH CONTRACT OF EMPLOYMENT

8.1 The grant of an Option does not form part of the Optionholder's entitlement to remuneration or benefits pursuant to his contract of employment. The existence of a contract of employment between any person and the Company or any present or past Subsidiary, Associated Company, or Jointly-Owned Company does not give that person any right or entitlement to have an Option granted in respect of any number of Shares nor any expectation that an Option might be granted, whether subject to any conditions or at all.

8.2 The rights and obligations of an Optionholder under the terms of his contract of employment with the Company or any present or past Subsidiary, Associated Company, or Jointly-Owned Company shall not be affected by the grant of an Option or his participation in this Plan.

8.3 The rights granted to an Optionholder on the grant of an Option shall not give the Optionholder any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Company or any present or past Subsidiary, Associated Company, or Jointly-Owned Company for any reason whatsoever (whether or not the termination is ultimately held to be wrongful or unfair).

8.4 An Optionholder shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Option in consequence of:-

8.4.1 the loss or termination of his office or employment with the Company or any present or past Subsidiary, Associated Company, or Jointly-Owned Company for any reason whatsoever (whether or not the termination is ultimately held to be wrongful or unfair); or

8.4.2 the exercise by the Committee or the Directors of any discretion in accordance with this Plan⁴.

9. NON-TRANSFERABILITY OF OPTIONS

9.1 An Option shall immediately cease to be exercisable if the Optionholder:-

9.1.1 transfers or assigns it (other than to his Personal Representatives), mortgages, charges or otherwise disposes of it;

9.1.2 is adjudged bankrupt or an interim order is made because he intends to propose a voluntary arrangement to his creditors under the Insolvency Act 1986;

9.1.3 makes or proposes a voluntary arrangement under the Insolvency Act 1986, or any other plan or arrangement in relation to his debts, with his creditors or any section of them; or

⁴ Rule 8.4.2 only applies to Options granted after 17 March 2011 (the date this provision was inserted into this Plan).

9.1.4 is otherwise deprived (except on death) of the legal or beneficial ownership of the Option by operation of law or doing or omitting to do anything which causes him to be so deprived.

10. **COMPANY LIMITS (INSTITUTIONAL) ON THE GRANTING OF SUBSCRIPTION OPTIONS**

10% in 10 year limit for all schemes

10.1 The number of Shares in respect of which Subscription Options may be granted on any day, when added to the number of Shares that have been:-

10.1.1 issued under rights to subscribe for Shares; and

10.1.2 in respect of which rights to subscribe for Shares have previously been granted (and which have neither been exercised nor ceased to be exercisable)

pursuant to this Plan and any other employees' share scheme in the period of 10 years preceding that day shall not exceed 10 per cent of the Ordinary Share Capital on that day.

10.2 For the purposes of this Rule 10, references to rights to subscribe for Shares shall:-

10.2.1 if so required in accordance with guidance issued by the Association of British Insurers include references to a right to acquire Shares issued or to be issued out of treasury;

10.2.2 exclude any Options or rights to subscribe for Shares which have in fact been, or will be, satisfied by the transfer of Shares by an existing shareholder (other than the Company itself); and

10.2.3 exclude any options or rights to subscribe for Shares which were granted before the admission of the Company's Ordinary Shares to the Daily Official List.

10.3 Subject to Rule 10.1 above, and any adjustment under Rule 27, the maximum number of Shares that may be issued pursuant to Options granted under this Plan will be 10% of the Ordinary Share Capital at the date on which the Pace International Performance Share Plan was first adopted by the Directors (being 18 October 2010)⁵. If an outstanding Option for any reason expires or is terminated or cancelled or if Shares are acquired pursuant to an Option subject to forfeiture and are forfeited, the Shares allocable to the expired, terminated or cancelled portion of such Option or such forfeited Shares shall again be available for issuance under the Plan.

11. **INDIVIDUAL LIMITS (INSTITUTIONAL) ON THE GRANTING OF OPTIONS**

11.1 Subject to Rule 11.2, the aggregate market value of Shares in respect of which Options may be granted to an Eligible Employee in any financial year pursuant to this Plan shall not exceed an amount equal to two times the Salary payable to that Eligible Employee by members of the Group in the financial year which includes the Date of Grant.

11.2 An Eligible Employee may be granted an Option in excess of the limit in Rule 11.1 if the Committee considers that exceptional circumstances exist to justify the grant **PROVIDED THAT** where an Option is granted pursuant to this Rule 11.2, the aggregate market value of Shares in respect of which Options may be granted to an Eligible Employee in any financial year shall not exceed an amount equal to four times the Salary payable to that Eligible Employee.

11.3 For the purposes of this Rule 11 the market value of a Share in respect of which an Option has been or is to be granted shall be the Exercise Price or, if less, the minimum price per Share which could have been determined by the Committee to be its Exercise Price under Rule 7.

⁵ The Ordinary Share Capital at that date was 304,340,497.

PART C: EXERCISE OF OPTIONS

12. GENERAL RULES

- 12.1 During his lifetime, only the individual to whom an Option is granted may exercise that Option.
- 12.2 An Option may not be exercised on any occasion if the exercise would not be in compliance with the Model Code.
- 12.3 An Option may not be exercised if, having been required to do so by the Grantor (as mentioned in Rule 5.2.8(b), the Optionholder has failed to enter into a joint election to transfer to him the Optionholder's Employer's liability to Employer's NICs on any NIC Option Gain.

13. PERFORMANCE CONDITION

- 13.1 Where specified by the Committee at the Date of Grant, exercise of an Option shall be conditional on the performance of the Company and, if the Committee so determines, upon the performance of a Subsidiary and/or the Optionholder, measured over a minimum period of 3 years against objective criteria determined by the Committee.
- 13.2 A Performance Condition may provide that a given number or proportion of Option Shares shall become Vested Shares according to whether, and the extent to which, any specified levels of performance are met or exceeded.
- 13.3 After an Option has been granted, the Committee, acting fairly and reasonably, may, in appropriate circumstances, amend a Performance Condition **PROVIDED THAT:-**
 - 13.3.1 no amendment shall be made unless an event has occurred or events have occurred in consequence of which the Committee reasonably considers that the existing Performance Condition should be amended to ensure that either:-
 - (a) the objective criteria (if any) against which performance will then be measured will be a fairer measure of performance; and
 - (b) any amended Performance Condition will afford a more effective incentive to the Optionholder; and
 - 13.3.2 any such amended Performance Condition shall be no more difficult to satisfy than was the original Performance Condition when first set.
- 13.4 If, in consequence of a Performance Condition being met (or being deemed to be met), some, but not all, of the Option Shares become Vested Shares, the Option shall lapse and cease to be exercisable in respect of the balance of the Option Shares.
- 13.5 If, before the end of the Performance Period, an Optionholder ceases to hold office or employment within the Group the Committee (at its absolute discretion) may determine whether and to what extent the Performance Condition shall be deemed to be satisfied.
- 13.6 If, before the end of the Performance Period, circumstances arise as mentioned in Rules 23 ("Demerger or Statutory Reconstruction"), 24 ("Winding-up") or 25 ("Change of Control") the Committee (at its absolute discretion) may determine whether and to what extent the Performance Condition shall be deemed to be satisfied.
- 13.7 If, at the end of the Performance Period, the Performance Condition is not (and has not been deemed to be) satisfied, the Option shall immediately lapse and cease to be exercisable.
- 13.8 The Company shall, as soon as practicable after the end of the Performance Period, notify Optionholders of the number or proportion of the Option Shares which have become Vested Shares.

13.9 The Committee may, in exceptional circumstances and before the end of the Performance Period, waive the Performance Condition as it applies to any Option and, in this event, all of the Option Shares shall become Vested Shares **PROVIDED THAT** no waiver shall be made unless an event has occurred or events have occurred in consequence of which the Committee reasonably considers that the Performance Condition should be waived.

13.10 The Performance Condition intended to be applied to Options granted in the 2005/06 financial year of the Company is set out in Schedule 1 to this Plan.

14. **TIME OF EXERCISE – GENERAL RULES**

14.1 Subject to the following provisions of this Plan, an Option may only be exercised after the Vesting Date or, if later, the third anniversary of the Date of Grant or such later time as the Grantor specifies at the Date of Grant.

14.2 An Option may not in any event be exercised after the tenth anniversary of the Date of Grant or such earlier time as the Grantor specifies in the Option Certificate.

14.3 An Option may only be exercised in respect of Vested Shares.

14.4 Within 7 working days of receipt of a written request from an Optionholder the Company shall notify the Optionholder of the number or proportion of Shares which have become Vested Shares in consequence of the Performance Condition having been (or been deemed to be) met.

14.5 Except as mentioned in Rules 15 to 17 (inclusive) and 25 an Option may not be exercised at any time unless the Optionholder then holds office or employment with a member of the Group or an Associated Company.

14.6 An Option may not be exercised on any occasion if such exercise would not be in compliance with the Model Code.

15. **INJURY, DISABILITY, REDUNDANCY, RETIREMENT, ETC**

15.1 The provisions of this Rule 15 shall apply if an Optionholder ceases to hold office or employment within the Group by reason of:-

15.1.1 injury or disability (evidenced to the satisfaction of the Committee);

15.1.2 dismissal by reason of redundancy (within the meaning of the Employment Rights Act 1996);

15.1.3 retirement on or after reaching 65;

15.1.4 retirement before attaining age 65 with the consent of the Company or the Optionholder's Employer;

15.1.5 the fact that the office or employment by virtue of which he is eligible to participate in this Plan relates to a business or part of a business which is transferred to a person who is neither an Associated Company nor a member of the Group; or

15.1.6 the fact that the company with which he holds the office or employment by virtue of which he is eligible to participate in this Plan is no longer a member of the Group or an Associated Company.

15.2 If such cessation occurs after the end of the Performance Period, the Optionholder may exercise an Option granted to him within the period of 12 months beginning with the date of such cessation (or, if later, the third anniversary of the Date of Grant) in respect of any Vested Shares.

- 15.3 If such cessation occurs during the Performance Period then either:-
- 15.3.1 the Optionholder may retain the benefit of an Option granted to him and exercise such Option within the period of 12 months beginning with the Vesting Date (or, if later, the third anniversary of the Date of Grant) but only in respect of a proportion of the Vested Shares (calculated on the basis of the ratio that the number of complete months from the beginning of the Performance Period to the date of cessation of employment bears to 36 months); or
- 15.3.2 the Committee (acting fairly and reasonably) shall, within a reasonable period following the cessation, determine and notify the Optionholder that an Option granted to him may be exercised within the period of 12 months beginning with the date of such cessation, but only in respect of a proportion of such of the Option Shares as are determined to be Vested Shares as follows:-
- (a) the Performance Condition shall be applied in accordance with Rule 13.5 to determine the maximum number of Option Shares that are capable of being Vested Shares, and
- (b) this number of Option Shares shall be reduced pro-rata on the basis of the ratio that the number of complete months from the beginning of the Performance Period to the date of cessation bears to 36 months .

PROVIDED THAT when this Rule 15.3 applies, the Committee may in exceptional circumstances (as determined in its absolute discretion) permit an additional number of Option Shares to become Vested Shares if it considers this appropriate.

- 15.4 If or insofar as an Option is not exercised within the relevant period of 12 months mentioned in Rules 15.2 and 15.3, such Option shall lapse and cease to be exercisable at the end of such period.
- 15.5 If an Optionholder, whilst continuing to hold an office or employment with the Company or an Associated Company, is transferred to work in another country and as a result of that transfer the Optionholder will either:-
- 15.5.1 become subject to income tax on his remuneration in the country to which he is transferred and the Directors (and if appropriate, the Trustees) is satisfied that as a result he will suffer a tax disadvantage upon exercising an Option; or
- 15.5.2 become subject to restrictions on his ability to exercise an Option or to deal in the Shares he will acquire upon the exercise of that Option by reason of or in consequence of, the securities or exchange control laws of the country to which he is transferred;

the Optionholder may exercise the Option in the period commencing three months before and ending three months after the transfer takes place.

16. LEAVING FOR OTHER REASONS

- 16.1 If an Optionholder ceases to hold office or employment within the Group or, gives or receives notice to terminate any office or employment with any member of the Group for any reason other than those set out in Rules 15.1, 17.2 or 17.3, an Option granted to him shall lapse and cease to be exercisable unless either:-
- 16.1.1 where such cessation occurs or such notice is given after the end of the Performance Period, the Committee (at its absolute discretion) determines and notifies to the Optionholder that the Option may be exercised in respect of Vested Shares within such period as the Committee may determine;
- 16.1.2 where such cessation occurs or such notice is given during the Performance Period, the Committee (at its absolute discretion) determines and notifies to the Optionholder that

the Option (or a proportion of the Option) may be subject to the treatment set out in Rule 15.3 above; or

16.1.3 the Committee provided otherwise at the time the Option was granted.

16.2 An Optionholder who ceases to hold office or employment within the Group for any such other reason shall not be entitled to exercise an Option after the date of such cessation or, if earlier, the date of such giving or receiving of notice to terminate any office or employment except when and insofar as the Committee may determine as mentioned in Rule 16.1.

17. DEATH OF AN OPTIONHOLDER

17.1 If an Optionholder dies an Option granted to him may be exercised by his Personal Representatives (if at all) only within the period of 12 months beginning with the date of his death, and only in respect of such of the Option Shares as are determined in accordance with the following provisions of this Rule 17. If and insofar as the Option is not exercised within that period, it shall lapse and cease to be exercisable at the end of that period.

17.2 If an Optionholder dies in service after the end of the Performance Period (or the occurrence of any of the circumstances mentioned in Rules 23, 24 or 25), an Option granted to him may only be exercised in respect of Option Shares which are, or become, Vested Shares.

17.3 If an Optionholder dies in service during the Performance Period, an Option granted to him may be exercised in respect of a proportion of such of the Option Shares as are determined to be Vested Shares as follows:-

17.3.1 the Performance Condition shall be applied in accordance with Rule 13.5 to the time of death to determine the maximum number of Option Shares that are capable of being Vested Shares, and

17.3.2 this number of Option Shares shall be reduced pro-rata on the basis of the ratio that the number of complete months from the beginning of the Performance Period to the date of death bears to 36 months

PROVIDED THAT when this Rule 17.3 applies, the Committee may in exceptional circumstances (as determined in its absolute discretion) permit an additional number of Option Shares to become Vested Shares if it considers this appropriate.

17.4 If the Optionholder dies after having ceased to hold office or employment within the Group as mentioned in Rule 15.1 but before his Option lapses, an Option granted to him may be exercised only in respect of Vested Shares.

17.5 If the Optionholder dies after having ceased to hold office or employment within the Group for any other reason, an Option granted to him may be exercised in respect of such proportion of the Option Shares as the Committee may determine and notify to the Personal Representatives as mentioned in Rule 16.

18. TIME OF LEAVING

18.1 For the purposes of this Plan, an Optionholder shall be treated as having ceased to hold office or employment within the Group only when he no longer holds any office or employment with any member of the Group or with any Associated Company or is dismissed for Misconduct from any such office or employment.

18.2 An Optionholder shall not be treated as having ceased to hold office or employment within the Group solely by reason of being absent from work during any period of:-

18.2.1 statutory or contractual paternity, maternity, parental or adoption leave; or

18.2.2 compulsory national military service.

19. MANNER OF EXERCISE OF AN OPTION

19.1 To exercise an Option, the Optionholder shall serve a written notice on the Grantor which:-

19.1.1 specifies the number of Option Shares over which the Option is exercised on that occasion which shall not exceed the number of Option Shares;

19.1.2 unless the Optionholder has entered into arrangements approved by the Company for procuring payment to the Company of the aggregate Exercise Price, is accompanied by payment of the Exercise Price; and

19.1.3 unless the Grantor otherwise permits, is accompanied by the Option Certificate

and is otherwise in such form as the Grantor specifies from time to time and notifies to the Optionholder.

20. INDEMNITY AGAINST OPTION TAX LIABILITY

20.1 The Optionholder shall indemnify the Grantor and the Optionholder's Employer against any Option Tax Liability.

20.2 Unless the Optionholder indicates in a notice of exercise that he will make a payment to (or as directed by) the Company of an amount equal to the Option Tax Liability and, by the end of 7 days after being notified of the amount of the Option Tax Liability, the Optionholder has:

20.2.1 paid to (or as directed by) the Company a sum which is, or will be, sufficient to satisfy the Option Tax Liability; or

20.2.2 entered into arrangements which, in the opinion of the Company will ensure that such liability is satisfied by such time as will ensure the Optionholder's Employer is in receipt of cleared funds to enable it to satisfy the Option Tax Liability within 14 days of the PAYE month in which the Option was exercised,

the Company (or the Trustee if appropriate) shall have the right to sell as agent for the Optionholder (at the best price which can reasonably expect to be obtained at the time of sale) such number of the Shares in respect of which the Option has been exercised as the Company considers appropriate for the purposes of the indemnity mentioned in Rule 20.1 and to pay over to the Optionholder's Employer sufficient monies out of the net proceeds of sale, after deduction of all fees commissions and expenses incurred in relation to such sale, to satisfy the Option Tax Liability and/or the Optionholder's Employer shall have the right to deduct any amount from the Optionholder's salary and/or reimburse any balance to the Optionholder through payroll or by cheque.

21. ISSUE OR TRANSFER OF SHARES

21.1 Subject to Rule 20.2, within the period of 30 days beginning with the date on which the Grantor receives a Notice of Exercise the Grantor shall issue or transfer, or procure the issue or transfer of, the number of Shares specified in the Notice to the Optionholder.

21.2 If the Grantor is restricted from issuing, transferring or procuring the issue or transfer of Shares on the exercise of an Option by reason of any statutory, regulatory or other legal provision or rule or the Model Code or any other requirement or guidance issued by the London Stock Exchange or on behalf of institutional investors in the Company or any other body and which relates to dealings in Shares by directors or employees or any member of the Group, the Grantor shall not be obliged to issue, transfer or procure the transfer of the Shares until after all such restrictions are lifted and shall then do so within 30 days.

21.3 Subject to Rule 21.4, as soon as reasonably practicable after the allotment or transfer of any Shares pursuant to Rules 21.1 or 21.2, the Grantor shall procure:-

- 21.3.1 the issue of a definitive share certificate or acknowledgement of shareholding as is prescribed from time to time for the Shares allotted or transferred to the Optionholder; and
- 21.3.2 if Shares are to be allotted and, on the date of allotment, Shares of the same class are listed on the Official List, that any Shares so allotted are admitted to the Official List.
- 21.4 If the Optionholder requests, some or all of the Shares he acquires on the exercise of an Option may be issued or transferred to a nominee of the Optionholder, provided that beneficial ownership of the Shares vests in the Optionholder.
- 21.5 The allotment or transfer of any Shares under this Plan shall be subject to the Company's Memorandum and Articles of Association and to any necessary consents of any governmental or other authorities (whether in the United Kingdom or otherwise) under any enactments or regulations from time to time in force. It shall be the responsibility of the Optionholder to comply with any requirements to be fulfilled in order to obtain or obviate the necessity of any such consent.
- 21.6 Shares allotted or transferred under this Plan shall be equal in all respects to other Shares then issued except for any rights attaching to the other Shares by reference to a record date preceding the date of the allotment or transfer of the Shares acquired on the exercise of the Option.
- 21.7 In relation to any US Optionholder, if the Shares, or another class of equity securities issued by the Company, are not registered under the Exchange Act at the time an Option is exercised, the Grantor shall not be obliged upon exercise of Options by an Optionholder to issue, transfer or procure the issue or transfer of any Shares until such time as (i) the Shares are registered under the Exchange Act, (ii) the Company has made other arrangements for the holding of such Shares or (iii) in the opinion of legal counsel of the Company, the Company is exempt from the registration requirements under the Exchange Act, which may include where the Optionholder's Shares acquired upon exercise of an Option are held in a trust or other entity respected as a single holder of record under Section 12(g) of the Exchange Act and Regulation 12g5-1 promulgated thereunder (in which case such trust or other entity shall be treated as the Optionholder's nominee for the purposes of this Rule 21). If the Optionholder's Shares are held in such a trust or other entity, then the Optionholder's rights shall be governed by the governing documents of such trust or other entity and, where relevant, references to the Optionholder in this Plan shall apply to the trust or other entity.

PART D: CORPORATE TRANSACTIONS

22. EXCHANGE OF OPTIONS ON AN INTERNAL RECONSTRUCTION

- 22.1 The Directors may invite an Optionholder to accept an Exchange of Options. The invitation shall be open for a period of at least 14 days following its issue. The Option shall lapse and cease to be exercisable at the end of the invitation period.
- 22.2 Rule 22.1 shall apply only if, immediately after the Company has come under the Control of an Acquiring Company, the Company would nevertheless remain or remains under the Control of the person who, or persons who together, had Control of the Company immediately before the Company comes or came under the Control of the Acquiring Company.

23. DEMERGER OR STATUTORY RECONSTRUCTION

- 23.1 The following provisions of this Rule 23 are subject to Rule 22.
- 23.2 The Company's shareholders may be notified of a proposed demerger of the Company or of any Subsidiary. If so, the Company may, as soon as practicable, notify Optionholders that Options may then be exercised, within one month (or such longer period as may be specified in such notice), in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below. No such notice shall be given unless the Company has received independent advice that (disregarding any Performance Condition subject to which any Option is then exercisable) the interests of Optionholders would or might be substantially prejudiced if, before the proposed demerger has effect, Optionholders could not exercise their Options and be registered as the holders of the Shares so acquired. Options will lapse and cease to be exercisable, to the extent not exercised, at the end of the relevant period.
- 23.3 If the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation pursuant to section 425 of the Companies Act 1985 Options may be exercised within the period of 3 months commencing on the date on which the compromise or arrangement becomes effective (or, if the Directors so determine, the earlier date when the court sanctions the compromise or arrangement) in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below. Options will lapse and cease to be exercisable, to the extent not exercised, at the end of the 3 month period.
- 23.4 In addition to Rule 23.3, the Committee (at its absolute discretion) may permit Options to be exercised conditionally on the court sanction. This means that the exercise will take effect on, or as soon as practicable after, the court sanction but before the compromise or arrangement becomes effective. In this case, the Directors shall notify Optionholders of the period (of at least 14 days, ending no more than 14 days before the date on which the court is expected to sanction the proposals) during which they may exercise their Options if they wish the exercise to take effect conditionally, but only in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below. For the avoidance of doubt, any ability to exercise under this Rule 23.4 is in addition to Optionholder's rights under Rule 23.3.
- 23.5 In making any determination as mentioned in Rules 23.1 to 23.4 (inclusive) the Committee shall act fairly and reasonably, applying the same criteria to all Options granted on the same Date of Grant.

24. WINDING UP

If Shareholders are notified of a resolution for the voluntary winding-up of the Company, an Option may be exercised in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below before the commencement of the winding-up or within such other period as the Grantor notifies to Optionholders. Options will lapse and cease to be exercisable, to the extent not exercised, at the end of the relevant period.

25. **CHANGE OF CONTROL**

25.1 If, as a result of either:-

25.1.1 a general offer to acquire the whole of the Ordinary Share Capital which is made on a condition which, if satisfied or waived, the person making the offer will have Control of the Company; or

25.1.2 a general offer to acquire all the shares in the Company of the same class as the Shares

the Company shall come under the Control of another person or persons, Options may be exercised, within the period of three months (or such longer period, not exceeding 6 months, as the Committee may determine and notify to Optionholders) of the date when the person making the offer has obtained Control of the Company and any condition subject to which the offer is made has then been satisfied, but only in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below.

Options will lapse and cease to be exercisable, to the extent not exercised, at the end of such period.

25.2 If at any time any person becomes entitled or bound to acquire shares in the Company under sections 428 to 430F (inclusive) of the Companies Act 1985, the Directors will forthwith notify every Optionholder and Options may be exercised within one month of such notifications in respect of such of the Option Shares (if any) as determined in accordance with Rule 26 below. Options will lapse and cease to be exercisable, to the extent not exercised, when that person no longer remains so entitled or bound.

25.3 For the purposes of the preceding provisions of this Rule 25, a person shall be deemed to have Control of the Company if he and others acting in concert with him have together obtained Control of it.

26. **VESTING ON CORPORATE TRANSACTIONS**

26.1 The number of Option Shares in respect of which an Option may be exercised following the occurrence of an event as mentioned in Rules 23, 24 or 25 shall be determined in accordance with this Rule 26.

26.2 If any such event occurs after the end of the Performance Period, the Optionholder may exercise the Option in respect of any Vested Shares.

26.3 If such event occurs during the Performance Period, the Optionholder may exercise an Option in respect of a number of Option Shares that will be determined to be Vested Shares as follows:-

26.3.1 the Performance Condition shall be applied in accordance with Rule 13.6 to determine the maximum number of Option Shares that are capable of being Vested Shares; and

26.3.2 this number of Option Shares shall be reduced pro-rata on the basis of the ratio that the number of complete months from the commencement of the Performance Period to the date of the relevant event bears to 36 months.

PROVIDED THAT where Rule 26.3 applies:-

(a) the Committee may in exceptional circumstances (at its absolute discretion) permit additional Option Shares to become Vested Shares if it considers this appropriate;

(b) the proportion of Option Shares so determined shall (if more than one such event occurs) be calculated by reference to the earliest event to occur.

PART E: AMENDMENTS

27. VARIATION OF SHARE CAPITAL

27.1 If the Ordinary Share Capital is altered by way of capitalisation or rights issue, sub-division, consolidation or reduction or there is any other variation in the share capital of the Company or (at the discretion of the Committee) on a demerger, the Directors may make such adjustment as they consider appropriate:-

27.1.1 to the aggregate number, amount or description of Shares subject to any Option; and/or

27.1.2 to the Exercise Price of any Option; and/or

27.1.3 if an Option has been exercised but no Shares have been allotted or transferred in accordance with Rules 21.1 or 21.2, to the number of Shares which may be so allotted or transferred and the price payable for each Share; and/or

27.1.4 to the limit provided for in Rule 10.3

PROVIDED THAT:-

- (a) except in the case of a sub-division, consolidation or a capitalisation issue or in relation to an adjustment under Rule 27.1.4, the Auditors shall give written confirmation that the adjustment is, in their opinion, fair and reasonable;
- (b) except insofar as the Directors (on behalf of the Company) agree to capitalise the Company's reserves and apply the same at the time of exercise in paying up the difference between the Exercise Price and the nominal value of the Shares, the Exercise Price of any Subscription Option shall not be reduced below the nominal value of a Share;
- (c) the number of Shares as so adjusted has been rounded down to the nearest whole number; and
- (d) if the Grantor is not the Company, no such adjustment shall be made without the Grantor's consent.

27.2 The Directors (on behalf of the Grantor) shall notify every Optionholder affected by an adjustment under Rule 27.1 as soon as reasonably practicable after making the adjustment. The Directors shall deliver, or procure the delivery of, a revised Option Certificate to any Optionholder who asks for an amended Option Certificate.

28. ALTERATION OF THE PLAN

28.1 Before the Date on which the Plan is approved by shareholders, the Directors may make any alteration or addition to this Plan including amendments necessary to take account of any comments of the London Stock Exchange.

28.2 After the Date of Approval, the Directors may at any time alter or add to any of the provisions of this Plan in any respect **PROVIDED THAT:-**

28.2.1 no alteration or addition shall be made to the advantage of existing or new Optionholders to the provisions relating to eligibility to participate, the overall limitations on the issue of new Shares, the individual limitations on Option grants under this Plan, the basis for determining Optionholders' rights to acquire Shares, the adjustment of such rights in the event of variation of the Ordinary Share Capital or this Rule 28 without the prior approval by ordinary resolution of the shareholders of the Company **SAVE THAT** the provisions of this Rule 28.2.1 shall not apply to the extent that the alteration or addition is in the opinion of the Directors:-

- (a) a minor amendment which is necessary or appropriate to benefit the administration of this Plan;
- (b) to take account of any change in legislation; or
- (c) to obtain or maintain favourable tax, exchange control or regulatory treatment for existing or new Optionholders, any member of the Group, or any Associated Company; and

28.2.2 if in relation to any Options the Grantor is not the Company, no alteration or addition shall be made to the terms of the Options without the approval of the Grantor; and

28.2.3 exceptionally, and in the circumstances mentioned in Rule 28.2.2(c) above, the Committee in its discretion may amend an Option so as to permit exercise after the Vesting Date but before the third anniversary of the Date of Grant, subject to such conditions (if any) as it shall think fit **PROVIDED THAT** no such amendment shall be effective unless and until it is accepted by the Optionholder.

28.3 Details of any alteration or addition shall be given to any affected Optionholder as soon as reasonably practicable.

28.4 No alteration or addition shall be effective which would materially prejudice the interests of Optionholders in relation to Options already granted to them unless the sanction of Optionholders has been obtained in accordance with the provisions for the alteration of class rights contained in the Articles of Association of the Company for the time being for which purpose an Optionholder shall be regarded as holding the number of Shares comprised in Options granted to him remaining capable of being exercised.

28.5 An Extraordinary Resolution of a meeting of Optionholders held in accordance with Rule 28.4 shall have the power to sanction any scheme compromise or arrangement affecting Options or the rights thereunder and shall be binding on all Optionholders.

PART F: MISCELLANEOUS

29. SERVICE OF DOCUMENTS

- 29.1 Except as otherwise provided in this Plan, any notice or document to be given by, or on behalf of, the Company or other Grantor or any administrator to any Eligible Employee or Optionholder in accordance or in connection with this Plan shall be duly given:-
- 29.1.1 if both the sender and the recipient are located in the United Kingdom, by sending it through the post in a pre-paid envelope to the address last known to the Company to be his address and, if so sent, it shall be deemed to have been duly given if sent by first class post, on the day after posting and if sent by second class post, on the second day after posting; or
 - 29.1.2 if both the sender and the recipient are located in the US, by sending it through the post in a pre-paid envelope to the address last known to the Company to be his address and, if so sent, it shall be deemed to have been duly given on the third day after posting, or if the sender uses an overnight delivery service (such as FedEx or DHL), on the first business day after the sender has delivered possession of such notice or document to such overnight delivery service; or
 - 29.1.3 if the sender and the recipient are located in different countries, by sending it through the post in a pre-paid envelope to the address last known to the Company to be his address and, if so sent, it shall be deemed to have been duly given on the seventh day after posting, or if the sender uses an overnight delivery service (such as FedEx or DHL), on the second business day after the sender has delivered possession of such notice or document to such overnight delivery service; or
 - 29.1.4 if he holds office or employment with any member of the Group or any Associated Company, by delivering it to him at his place of work or by sending a facsimile transmission or an e-mail addressed to him at his place of work and, if so sent, it shall be deemed to have been duly given at the time of transmission.
- 29.2 A notice or document shall not be duly given by e-mail unless the intended recipient is known by his employer company to have personal access during his normal business hours to information sent to him by e-mail.
- 29.3 Any notice or document so sent to an Eligible Employee or Optionholder shall be deemed to have been duly given notwithstanding that the Optionholder is then deceased (and whether or not the Company or other Grantor has notice of his death) except where his Personal Representatives have supplied an alternative address to which documents are to be sent to the Company.
- 29.4 Any written notice or document to be submitted or given to the Grantor, the Company or an administrator in accordance or in connection with this Plan may be delivered, sent by post, facsimile transmission or e-mail but shall not in any event be duly given unless:-
- 29.4.1 it is actually received (or, in the case of an e-mail, opened) by the secretary of the Company or such other individual as may from time to time be nominated by the Company and whose name and address is notified to Optionholders; and
 - 29.4.2 if given by e-mail (and if required by the Company), it includes a digitally encrypted signature of the Optionholder.
- 29.5 For the purposes of this Plan, an e-mail shall be treated as not having been duly made or received if the recipient of the e-mail notifies the sender that it has not been opened because it contains, or is accompanied by a warning or caution that it could contain or be subject to, a virus or other computer programme which could alter, damage or interfere with any computer software or e-mail.

30. **OBLIGATION TO ENSURE SUFFICIENT AUTHORISED SHARES**

30.1 The Company shall always keep sufficient authorised but unissued Shares available to satisfy the exercise in full of all Subscription Options for the time being remaining capable of being exercised.

30.2 No Option to purchase existing Shares shall be granted by any person unless that person beneficially owns the Shares at the Date of Grant or the Directors are satisfied that sufficient Shares will be made available to satisfy the exercise in full of all Options granted or to be granted by that person.

30.3 The Company may issue Shares, and grant rights to acquire Shares, to the Trustee for the purpose of enabling the Trustee, in the exercise of its powers to:-

30.3.1 grant Options; and

30.3.2 transfer or procure the issue or transfer of Shares on the exercise of Options granted by the Trustee

PROVIDED THAT any Shares issued or in respect of which rights are granted by the Company (and which, if not exercised, do not lapse) shall count in applying the overall limitations on the issue of Shares imposed by Rule 10.

31. **JURISDICTION**

31.1 This Plan and any Option shall be governed by, and construed in accordance with, the laws of England.

31.2 The courts of England shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning an Option and any matter arising from or in relation to this Plan.

32. **THIRD PARTY RIGHTS**

Except as otherwise expressly stated to the contrary, neither this Plan nor the Contracts (Rights of Third Parties) Act 1999 shall have the effect of giving any third party rights under this Plan or any Option, and that Act shall not apply to this Plan nor to any Option.

SCHEDULE 1

The Performance Condition intended to be applied to Options granted in the 2005/06 financial year of the Company

This Performance Condition provides that:-

- **100% of an Option will be exercisable if Pace achieves EPS growth of greater than or equal to the growth in inflation (RPI) plus a compound 6% pa over the period of 3 Financial Years 2005/06, 2006/07 and 2007/08;**
 - **25% of an Option will be exercisable if Pace achieves EPS growth of RPI plus 3% pa compound over this period but no part of an Option will be exercisable if Pace does not achieve EPS growth at this level;**
 - **the percentage of an Option that will be exercisable for EPS growth of between RPI plus 3% pa compound and RPI plus 6% pa compound will be determined on a straight-line basis.**
1. Subject to paragraphs 6 and 7 below, the number of Shares subject to an Option that an Optionholder can acquire by exercising that Option will be found by applying the percentage growth in the Company's Earnings Per Share in excess of inflation over the Performance Period calculated in accordance with paragraph 3 below to the table shown in paragraph 4 below.
 2. For the purpose of this Schedule:-
 - 2.1 the **"Earnings Per Share"** of the Company means the fully diluted earnings per share as shown in the audited accounts of the Company for the accounting period in question **PROVIDED THAT:-**
 - 2.1.1 this figure will be adjusted so that it does not include the effect of the amortisation of goodwill; and
 - 2.1.2 this figure may be adjusted to the extent the Remuneration Committee considers appropriate to ensure that the basis of calculation is consistent over the Performance Period (including such adjustments as the Remuneration Committee considers necessary to take account of the introduction of International Accounting Standards) and to take account of any variation in the Company's issued share capital; and
 - 2.1.3 this figure may also be adjusted for any other factors that the Remuneration Committee considers relevant;
 - 2.2 the **"Retail Prices Index"** is the general index of retail prices (for all items) published by the Office of National Statistics or, if that index is not published for the month in question, any substituted index or index figures which is published;
 - 2.3 the **"Performance Condition"** is the objective performance target in respect of an Option granted by this Deed that is included by Rule 13 of the Plan;
 - 2.4 the **"Performance Period"** shall be a period of 3 Years commencing with the Year in which the Option was granted;
 - 2.5 **"Year"** means a financial year of the Company within the meaning of section 742 of the Companies Act 1985;
 - 2.6 unless the context otherwise requires, words and expressions used in this Appendix have the same meanings as they have in Rule 1 of the Plan.

3. The percentage growth in the Company's Earnings Per Share ("X") over the Performance Period in excess of inflation shall be calculated according to the following formula:-

$$X = \left[\frac{(E2 - E1)}{E1} - \frac{(R2 - R1)}{R1} \right] \times 100$$

Where:

- E1 is the Earnings Per Share in the Year immediately preceding the Performance Period;
- E2 is the Earnings Per Share in the final Year of the Performance Period;
- R1 is the retail prices index for the last month in the Year immediately preceding the Performance Period;
- R2 is the retail prices index for the last month in the final Year of the Performance Period;
and
- X shall be calculated to two decimal places.

4. The extent to which an Option will be exercisable is shown in the following table:-

Level of "X" (equivalent to compound annual growth in Company EPS in excess of the increase in the Retail Prices Index over three years)	Percentage of the total number of Shares subject to an Option that will be exercisable
19.10% or more (6% <i>pa compound</i>)	100%
Between 9.27% and 19.10%	Pro-rata between 25% and 100%
9.27% (3% <i>pa compound</i>)	25%
Less than 9.27%	Nil

5. For the avoidance of doubt, this Option shall lapse and cease to exist to the extent that it relates to Shares that do not become exercisable after the application of paragraphs 3 and 4 above.
6. In the event that this Option is exercisable in accordance with Rule 15.3.2 (*good leavers, exercise in Performance Period*), Rule 16.1.2 (*other leavers in Performance Period*) or Rule 17.3 (*Death in Performance Period*), then in accordance with Rule 13.5 this Performance Condition shall be applied over the period from the Date of Grant of the Option to the date of cessation of employment on such basis as the Remuneration Committee (at its absolute discretion) shall consider appropriate.
7. In the event that this Option is exercisable pursuant to Rules 23, 24 or 25 of the Plan (*corporate events*), then in accordance with Rule 13.6 this Performance Condition shall be applied over the period from the Date of Grant of the Option to the date of the relevant event on such basis as the Remuneration Committee (at its absolute discretion) shall consider appropriate.
8. In determining whether this Performance Condition has been, or may in future, be satisfied:-
- 8.1 the Remuneration Committee shall have absolute discretion acting fairly and reasonably to vary or restate the condition to take account of any events that would otherwise affect the value of the condition as an objective performance target provided that the condition shall be similarly challenging (in the opinion of the Remuneration Committee) following such variation or restatement, and
- 8.2 the Remuneration Committee's decision on any matter concerning the satisfaction of this Performance Condition shall be final and binding.

SCHEDULE 2

FRANCE

This Schedule 2 to the Plan sets out specific terms which shall apply to Eligible Employees and/or Optionholders who are resident in France or who are or may become subject to French tax as a result of any Option granted under this Plan ("**French Optionholders**").

For the avoidance of doubt, US Optionholders may not be granted or hold Options granted under this Schedule 2.

It is intended that Options granted to French Optionholders shall be eligible for the favourable tax regime applicable to share option plans in accordance with Article 163bis C of the French Code général des impôts.

1. **APPLICABILITY**

1.1 The terms set out in this Schedule 2 shall apply to French Optionholders.

2. **ELIGIBILITY**

2.1 An Option may not be granted to a French Optionholder:-

2.1.1 unless he is employed by a company which is a subsidiary of the Company, as defined in Article 225-197-2 of the French "Code de Commerce"; or

2.1.2 unless he is a director with a management function as defined in Article 225-197-1 of the French "Code de Commerce" of a company which is a subsidiary of the Company as defined in Article 225-197-2 of the French "Code de Commerce".

2.2 An Option may not be granted to a French Optionholder who owns more than 10% of the share capital of the Company.

3. **GRANTOR**

3.1 An Option shall not be granted by any person other than the Company.

4. **EXERCISE PRICE**

4.1 Rule 7.1 shall not apply.

4.2 Subject to Rule 7.2 and paragraph 4.4 of this Schedule 2 below, the Exercise Price shall be determined by the Committee but shall not be less than 95% of the fair market value of a Share at the Date of Grant.

4.3 For the purposes of paragraph 4.2 of this Schedule 2 above, fair market value of a Share at the Date of Grant shall be calculated as the average price of a Share as derived from the Daily Official List for the 20 Dealing Days immediately preceding the Date of Grant.

4.4 If the Ordinary Share Capital is altered as set out in Rule 27, the Directors may vary the Exercise Price of an Option as set out in that Rule.

5. **TIME OF EXERCISE – VESTING DATE**

5.1 Rule 14.1 shall not apply (exercise after 3 years).

5.2 Subject to the following provisions of this Schedule 2 and the rules of the Plan as they apply to French Optionholders, an Option may only be exercised after the later of the Vesting Date and the fourth anniversary of the Date of Grant or such later time as the Grantor specifies at the Date of Grant and, except in the circumstances mentioned in Rule 15.1.7 (as set out in paragraph 6.1 of

this Schedule 2 below), the references to "third anniversary of the Date of Grant" in Rules 15.2 and 15.3.1 shall be replaced with references to the "fourth anniversary of the Date of Grant".

5.3 The following words shall be inserted in Rule 15.2, after "Date of Grant":

"or, in the Committee's absolute discretion, within a period of 12 months after the end of the Performance Period".

6. **INJURY, DISABILITY, REDUNDANCY, RETIREMENT, ETC**

6.1 Rule 15.1 (good leavers) shall be extended as follows:-

"15.1.7 the occurrence of any of the exceptions provided for in Article 91ter of Annexe II du Code général des impôts (namely dismissal by reason of redundancy, retirement initiated by the employer, total disability and death in accordance with French Law)."

6.2 If the exception provided for in Article 91ter of Annexe II du Code général des impôts is death:-

6.2.1 references to the Optionholder in Rules 15.2, 15.3 and paragraphs 6.3 and 6.4 of this Schedule 2 below shall be read as references to the Optionholder's heirs;

6.2.2 Rule 15.2 shall be amended so that "the period of 12 months.... Date of Grant" is taken to be removed and replaced with "the period of 6 months beginning with the date of death";

6.2.3 Rule 15.3.1 (exercise after Vesting Date) shall not apply;

6.2.4 Rule 15.3.2 shall be amended so that the reference to 12 months shall be read as 6 months; and

6.2.5 Rule 15.4 shall be amended so that the reference to "the relevant period of 12 months" shall be read as "the relevant period".

6.3 If prior to the fourth anniversary of the Date of Grant an Optionholder acquires Shares on exercise of an Option in consequence of Rule 15.1.7 (as set out in paragraph 6.1 of this Schedule 2 above), he shall not be entitled to dispose of those Shares or any interest in them until at least 3 months from the date those Shares were acquired by him.

6.4 If prior to the fourth anniversary of the Date of Grant an Optionholder will acquire Shares on exercise of an Option in any circumstances, the Committee may impose such conditions in relation to retention of the Shares as it considers to be relevant in the context of the favourable tax regime applicable to share option plans.

6.5 Rule 17 shall not apply (death).

7. **ISSUE OR TRANSFER OF SHARES**

7.1 Rule 21.4 shall not apply (transfer to nominee).

7.2 In order to ensure compliance with paragraphs 6.3 and 6.4 of this Schedule 2 above, any Shares issued or transferred to an Optionholder in consequence of the exercise of an Option shall be registered in the name of the Optionholder.

8. **CLOSE PERIODS**

Shares acquired on the exercise of an Option may not be sold during the following periods ("Closed Periods"):

- within the 10 days before or after the publication of the annual accounts of the Company; and

- within a period beginning with the date at which executives of the Company become aware of any information which, were it to be public knowledge, could have a significant impact on the price of shares in the Company and ending 10 trading days after the information becomes public knowledge.

These Closed Periods will apply to Shares acquired on the exercise of an Option for so long as and to the extent that such Closed Periods are applicable under French law.

9. **TAX INDEMNITY**

The definition of "Option Tax Liability" shall apply as if it omitted references to Employer's NICs and Rule 5.2.8 and 12.3 (transfer of Employer's NICs) shall not apply.

10. **CONFLICT**

- 10.1 If there is any conflict between the terms of this Schedule 2 and the other rules of the Plan, the terms set out in this Schedule 2 shall prevail.

SCHEDULE 3

INDIA

This Schedule 3 to the Plan sets out specific terms which shall apply to Eligible Employees and/or Optionholders who are resident in India or who are or may become subject to Indian tax as a result of any Option granted under this Plan ("**Indian Optionholders**").

1. **APPLICABILITY**

1.1 The terms set out in this Schedule 3 shall apply to Indian Optionholders.

2. **TAX INDEMNITY/ LIABILITY**

2.1 "Option Tax Liability" shall be given the following meaning:-

"in relation to an Indian Optionholder, any liability of an Optionholder's Employer to account to the Inland Revenue or other tax authority for any amount of, or representing, income tax or NICs (which shall, to the extent provided for in Rule 5.2.8, include Employer's NICs) or any equivalent charge in the nature of tax or social security contributions (whether under the laws of the United Kingdom, the US or of any other jurisdiction) (which, for the avoidance of doubt, will not include employer's payroll taxes in the US), or any fringe benefit tax (which shall, for the avoidance of doubt, include any surcharge and education cess payable in relation to the fringe benefit tax) in India which may arise upon the vesting, exercise or release of, or the acquisition of Shares pursuant to, an Option."

2.2 Rule 20.2 shall apply as follows:-

"20.2 *Unless the Optionholder indicates in a notice of exercise that he will make a payment to (or as directed by) the Company or the Optionholder's Employer of an amount equal to the Option Tax Liability and, by the end of 7 days after being notified of the amount of the Option Tax Liability, the Optionholder has:*

20.2.1 paid to (or as directed by) the Company or the Optionholder's Employer a sum which is, or will be, sufficient to satisfy the Option Tax Liability; or

20.2.2 entered into arrangements which, in the opinion of the Company will ensure that such liability is satisfied,

the Company (or the Trustee if appropriate) shall have the right to sell as agent for the Optionholder (at the best price which can reasonably be expected to be obtained at the time of sale) such number of the Shares in respect of which the Option has been exercised as the Company considers appropriate for the purposes of the indemnity mentioned in Rule 20.1 and to pay over to the Optionholder's Employer sufficient monies out of the net proceeds of such sale, after deduction of all fees commissions and expenses incurred in relation to such sale, to satisfy the Option Tax Liability and/or the Optionholder's Employer shall have the right to deduct any amount from the Optionholder's salary and/or reimburse any balance to the Optionholder through payroll or by cheque."

3. **RELATIONSHIP WITH CONTRACT OF EMPLOYMENT**

3.1 Rule 8.1 shall be extended as follows:-

"In particular, the existence of such a contract of employment, the existence of this Plan or the grant of an Option shall not give rise to or be considered or be deemed to be a "condition of service" under the Industrial Disputes Act 1947 or other applicable laws in India."

3.2 Rule 8 shall be extended as follows:-

"8.5 Any rights granted to an Optionholder pursuant to this Plan shall not be taken into consideration on any occasion when calculating severance indemnity, termination pay, gratuity or any other statutory employee benefits.

8.6 Neither the existence of this Plan nor the fact that an individual has on any occasion been granted an Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Plan by being granted an Option on any other occasion.

8.7 The granting of an Option on any occasion is at the discretion of the Committee. No entitlement to the grant of an Option in the future shall thereby be created on the grounds that such Options were granted in the past nor on the grounds that Options may previously have been granted over a particular number of Shares. Even the repeated grant of Options shall not create future entitlements to receive Options at all, or to be granted Options over a specific number of Shares.

8.8 This Plan may be amended or terminated at any time without the consent of and without notice to Optionholders."

4. **TIME OF EXERCISE – GENERAL RULES**

4.1 Unless the Committee determines otherwise, an Option may not be exercised between 10 March and 31 March in any year.

5. **CONFLICT**

5.1 If there is any conflict between the terms of this Schedule 3 and the other rules of the Plan, the terms set out in this Schedule 3 shall prevail.

SCHEDULE 4

ISRAEL

1. GENERAL

- 1.1 The terms set out in this Schedule 4 (the "**Israeli Appendix**") shall apply only to persons who are, or are deemed to be, residents of the State of Israel for Israeli taxation purposes. The provisions specified hereunder shall form an integral part of this Plan, which applies, *inter alia*, to the issuance of Options to Eligible Employees (as defined below) who are Israeli residents.
- 1.2 The Israeli Appendix is effective with respect to Options granted on or after the Date of Grant.
- 1.3 This Israeli Appendix is to be read as a continuation of this Plan and only refers to Options granted to Eligible Employees who are Israeli residents so that the Plan complies with the requirements set by the Israeli law in general, and in particular with the provisions of Section 102 of the Israeli Income Tax Ordinance (New Version), 1961 (the "**Ordinance**"), and any regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time (hereinafter – "**Section 102**"). For the avoidance of doubt, the Israeli Appendix does not add to or modify this Plan in respect of any other category of Optionholders.
- 1.4 This Plan and this Israeli Appendix are complementary to each other and shall be deemed one. In any case of contradiction, whether explicit or implied, between the provisions of the Israeli Appendix and this Plan, the provisions set out in the Israeli Appendix shall prevail with respect to Options granted to Israeli resident Optionholders.
- 1.5 Any capitalized terms not specifically defined in the Israeli Appendix shall be construed according to the interpretation given to them in this Plan.
- 1.6 In the event that the ITA (as defined below) shall request an amendment to the Israeli Appendix, the Israeli Appendix shall be amended accordingly.

2. DEFINITIONS

- 2.1 "**Israeli Appendix**", "**Ordinance**", "**Section 102**" as defined above.
- 2.2 "**Approved 102 Option**" means an Option granted pursuant to the terms and restrictions of Section 102(b)(2) of the Ordinance (the qualified capital gains tax course) and held in trust by the Israeli Trustee (as defined below) during the Restricted Period.
- 2.3 "**Controlling Shareholder**" shall have the meaning ascribed to it in Section 32(9) of the Ordinance.
- 2.4 "**Employee**" means a person who is employed by the Employer, including an individual who is serving as a director or an office holder of the Employer, but excluding any Controlling Shareholder.
- 2.5 "**Employer**" means the Israeli resident subsidiary by which the Israeli Optionholder is employed directly.
- 2.6 "**Israeli Optionholder**" means an Israeli resident Employee who holds an Option.
- 2.7 "**Israeli Trustee**" means any individual or entity appointed by the Company to serve as a trustee for the purposes of this Plan and this Israeli Appendix and approved by the ITA, all in accordance with the provisions of Section 102 of the Ordinance and "Israeli Trust" shall be construed accordingly.

- 2.8 "ITA" means the Israeli Tax Authorities.
- 2.9 "**102 Option**" means any Option granted to Employees pursuant to Section 102 as an Approved 102 Option or Unapproved 102 Option.
- 2.10 "**Required Tax Payments**" - as defined in Section 10.1 below.
- 2.11 "**Restricted Period**" means – with respect to Approved 102 Options - a period of no less than 24 (twenty-four) months commencing from the date on which the Approved 102 Options were granted (Date of Grant) and deposited with the Israeli Trustee, or such other period as shall be prescribed from time to time under Section 102 with respect to Approved 102 Options.
- 2.12 "**Trust Agreement**" means the agreement to be signed between the Company, the Employer and the Israeli Trustee for the purposes of Section 102.
- 2.13 "**Unapproved 102 Option**" means an Option granted pursuant to Section 102(c) of the Ordinance.

3. **ISSUANCE OF OPTIONS; ELIGIBILITY**

- 3.1 The persons eligible for participation in this Plan and this Israeli Appendix shall include, *inter alia*, any Israeli resident Employee; provided, however, that only Israeli resident Employees may be granted 102 Options.
- 3.2 The Directors may designate Options granted to Eligible Employees pursuant to Section 102 as Unapproved 102 Options or Approved 102 Options.
- 3.3 The grant of an Approved 102 Option shall be made in accordance with this Plan and the Israeli Appendix, subject to Section 3.4 below, and shall be conditional upon the approval of this Plan and this Israeli Appendix by the ITA.
- 3.4 No Approved 102 Options may be granted under the Israeli Appendix to any Employee until thirty (30) days after the requisite filings under Section 102, including the Company's and the Employer's application for the approval of this Plan for Section 102 purposes and the election of the qualified capital gains tax course (the "**Election**"), the Trust Agreement, this Plan, and this Israeli Appendix, have been made with the ITA. Such Election shall become effective commencing on the first grant date of an Approved 102 Option under the Israeli Appendix and shall remain in effect until the end of the year following the year during which the Company first granted Approved 102 Options. For the avoidance of doubt, such Election shall not prevent the Company from also granting Unapproved 102 Options.
- 3.5 All Approved 102 Options must be held in trust by an Israeli Trustee, as provided in Section 4 below.
- 3.6 The Israeli Optionholder shall confirm in writing, as a condition to the grant of the Approved 102 Option, that: (i) he is familiar with the tax provisions and restrictions of Section 102 under which the Approved 102 Options are granted to him through the Israeli Trustee, and (ii) that he agrees to be bound by the terms and conditions of this Plan, the Israeli Appendix and the restrictions and limitations under the tax provisions of Section 102, and (iii) with respect to the qualified capital gains course only (if applicable) - that he understands that the capital gains rate benefit of 25% is not promised to him, and that under certain circumstances he may be subject to regular working income tax rates in respect to the benefit derived from the Approved 102 Option and/or the Option Shares, if a violation of the capital gains tax course occurs as detailed in Section 4.4 below.

4. **TRUST AND TRUSTEE**

- 4.1 Approved 102 Options granted under this Plan, any Option Shares issued or transferred upon exercise of such Approved 102 Options, and all rights (if any) accruing on such Approved 102 Options and Shares shall be allocated or issued or transferred to the Israeli Trustee, who shall hold such Approved 102 Options, Option Shares (if issued or transferred) and all accrued rights thereon (if any) in trust for the benefit of the Israeli Optionholder and/or the Company, as the case

may be, during the Restricted Period (as a minimum). All certificates (including Option Certificates) or registrations (as may be required by applicable law or by the relevant governmental body or regulatory authority) representing the Approved 102 Options, the Option Shares and/or all rights accruing thereon (if any) shall be issued or transferred to the Israeli Trustee, deposited and/or registered in the name of the Israeli Trustee and shall be held by the Israeli Trustee until such time as the Approved 102 Options or Option Shares are released from the Israeli Trust as provided herein.

- 4.2 Notwithstanding anything to the contrary and without derogating from the limitation and restrictions provisions of this Plan regarding the transferability of the Options and/or Option Shares, neither the Approved 102 Options, nor the Option Shares to be issued or transferred upon exercise of such Approved 102 Options or all rights accruing thereon (if any) shall: (i) be released from the Israeli Trust, whether to the Israeli Optionholder or to any third party; (ii) whether directly or indirectly, be sold, transferred (except for transfer by will and according to the relevant laws of inheritance and distribution), assigned, pledged, hypothecated, encumbered or otherwise disposed of; or (iii) be subject to execution, attachment or similar process, all the foregoing whether by the Israeli Optionholder or the Israeli Trustee, prior to the end of the Restricted Period and prior to the full payment of the Required Tax Payments arising from Approved 102 Options and/or any Option Shares or other accrued rights (if any).
- 4.3 At any time after the expiry of the Restricted Period, and pursuant to a written request, the Israeli Trustee may release and transfer the Option Shares held in the Israeli Trust and all rights accruing thereon (if any) to the Israeli Optionholder or to a third party upon the sale of the Option Shares, by executing and delivering to the Company, or to such other person as it may direct, such instrument(s) as the Company may require and by giving due notice of such release to the Israeli Optionholder, provided that all of the following conditions have been fulfilled prior to such transfer: (i) the Israeli Trustee has received a written request from the Israeli Optionholder; (ii) payment has been rendered to the ITA of all the Required Tax Payments (as detailed in Section 10 below), and confirmation of such payment has been received by the Israeli Trustee; and (iii) the Israeli Trustee has received a written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, this Plan, this Israeli Appendix, any option agreement and any applicable law.
- 4.4 Notwithstanding Sections 4.2 - 4.3 above, if the Options and/or Option Shares or all rights accruing thereon (if any) shall (i) be released from the Trust, whether to the Israeli Optionholder or to any third party, whether by a voluntary transfer or a forced transfer upon a merger or any other transaction; or (ii) whether directly or indirectly, be sold, transferred (except for transfer by will and according to the relevant laws of inheritance and distribution), assigned, pledged, hypothecated, encumbered or otherwise disposed of; or (iii) be subject to execution, attachment or similar process, all the foregoing whether by the Israeli Optionholder or the Israeli Trustee, prior to the end of the Restricted Period, then it may be considered a violation of the capital gains tax course conditions of Section 102 which may lead to higher tax rates (regular income tax rates) for the relevant Israeli Optionholder.
- 4.5 The Israeli Optionholder shall undertake in writing, as a condition to the grant of the Option, to release the Israeli Trustee from any liability in respect of any action or decision taken and executed by the Israeli Trustee and/or the Company and/or the Employer in relation to this Plan and this Israeli Appendix, or to any Option or Option Shares granted to the Israeli Optionholder thereunder.
- 4.6 Unapproved 102 Options granted under the Plan, any Option Shares issued or transferred upon exercise of such Unapproved 102 Options, and all rights (if any) accruing on such Unapproved 102 Options and shares shall be allocated or issued or transferred to a trustee, who shall hold such Unapproved 102 Options, Option Shares and all accrued rights thereon (if any) in trust for the benefit of the Israeli Optionholder and/or the Company, as the case may be, until the full

payment of the Required Tax Payments arising from Unapproved 102 Options and/or any Option Shares or other accrued rights (if any).⁶

5. FAIR MARKET VALUE FOR TAX PURPOSES

Without derogating from the provisions of this Plan and solely for the purpose of determining the tax liability with respect to the work income component under the qualified capital gains tax course pursuant to Section 102(b)(3) of the Ordinance for Approved 102 Options (which is subject to regular income tax and social security duties), if, at the Date of Grant, the Shares are listed on any established stock exchange or a national market system (including, without limitation, the London Stock Exchange) or if the Option Shares will be registered for trading within ninety (90) days following the Date of Grant of the Approved 102 Options, then a portion of the Israeli Optionholder's benefit at the date of tax event which equals to the fair market value of the Option Shares at the Date of Grant (which shall be determined in accordance with the average value of the shares during the thirty (30) trading days preceding the Date of Grant or during the thirty (30) trading days following the date of registration for trading, as the case may be), minus the exercise price and other expenses, while all the amounts are index-linked to the date of tax event, shall be considered work income and be taxed accordingly, unless otherwise determined by the Ordinance.

6. EXERCISE OF OPTIONS

Options shall be exercised by the Israeli Optionholder as set forth in Paragraph 19 of this Plan and subject to all of the Plan's provisions and the Company's directions. The Israeli Optionholder shall send a copy of the notice of exercise referred to in Paragraph 19.1 of this Plan to the Israeli Trustee's registered office. Notwithstanding anything to the contrary, in the event that an Israeli Optionholder is entitled to receive Shares under this Plan upon exercise of an Approved 102 Option, the Company and/or the broker and/or the administrator shall issue the certificates of such Shares in the name of the Israeli Trustee and deposit such certificates with the Israeli Trustee.

7. INTEGRATION OF SECTION 102 AND TAX AUTHORITIES' PERMIT

Regarding Approved 102 Options, the provisions of this Plan and/or this Israeli Appendix shall be subject to the provisions of Section 102, the Ordinance, and any terms set forth in approvals issued by the ITA (if any) and such terms or provisions shall be deemed an integral part of this Plan and this Israeli Appendix.

8. RESTRICTIONS ON VOTING RIGHTS

Without derogating from the provisions of this Plan, no person shall have any right as a shareholder of the Company with respect to any Option Share, which is subject to an Option hereunder, unless and until such person becomes a shareholder of record with respect to such Option Share. Notwithstanding the foregoing or anything to the contrary in this Plan, the Israeli Trustee shall not be required to vote with respect to Option Shares issued upon exercise of the Approved 102 Option, for so long as such Option Shares are held by the Israeli Trustee.

9. DIVIDEND

With respect to all Option Shares (but excluding, for avoidance of any doubt, any unexercised Options) allocated or issued or transferred upon the exercise of Options purchased by the Israeli Optionholder and held by the Israeli Optionholder or by the Israeli Trustee, as the case may be, the Israeli Optionholder shall be entitled to receive dividends in accordance with the quantity of such Option Shares, subject to the provisions of the Company's incorporation documents (and all amendments thereto) and this Plan and subject to any applicable taxation on distribution of dividends and, when applicable, subject to the provisions of Section 102.

⁶ Please note that the Israeli tax law does not require the appointment of a trustee in the event of a grant of Unapproved 102 options. However, since the tax moment occurs upon the sale of the shares and the withholding duty applies even if the participant is no longer employed by the employer on the date of sale of the shares – the Company (or the Employer) may face a problem of withholding in certain circumstances. Accordingly, it is recommended that the Options and Option Shares issued upon exercise should be held in trust (by the Company or any other trustee) till all of the tax liability is paid by the relevant Optionholder or, alternatively, employees be required to sell the shares upon exercise of the option or receive the net cash value of the shares (and not shares).

10. TAX CONSEQUENCES

- 10.1 Any and all taxes, duties, levies and other liabilities and obligations, including, but not limited to, income tax, capital gains tax, national insurance and health care payments (as applicable from time to time) in Israel, or in any other relevant jurisdiction, arising from: (i) the grant, vesting and exercise of any Option; (ii) the release from the Israeli Trust of any Option or Option Shares issued or transferred upon exercise of such Option; (iii) the sale of the Option Shares issued or transferred upon exercise of an Option; or (v) any other event or act of the Company, the Employer, the Israeli Trustee or the Israeli Optionholder (as applicable) hereunder (the "**Required Tax Payments**") shall be borne by the Israeli Optionholder who shall be solely liable for all such taxes, duties, levies and other liabilities and obligations. The Israeli Optionholder shall not be entitled to receive any Options, Option Shares, or any payment in respect thereof until the Company, the Employer and the Israeli Trustee (as applicable) are satisfied that all the Required Tax Payments due or payable in respect thereof have been discharged in full (or after an arrangement with respect to such discharge has been reached with the Company, and/or the Employer and the Israeli Trustee, to the satisfaction of the Israeli Trustee).
- 10.2 The Company, the Employer or the Israeli Trustee (as applicable) shall withhold all the Required Tax Payments which may be required to be withheld or paid in connection with any Option or the Option Shares covered thereby, in accordance with the requirements under applicable laws, rules and regulations and, for such purpose, the Company, the Employer or the Israeli Trustee (as applicable) shall be entitled, at its sole discretion, to approach the ITA at any time and from time to time in order to obtain an approval or a pre-ruling with respect to the Required Tax Payments which are required to be withheld or paid in connection with any Option or the Option Shares covered thereby. As a condition precedent to: (i) the grant, vesting or exercise of any Option; (ii) the issuance or delivery of any Option Shares covered by an Option or the payment of any amount in respect thereof; or (iii) the release from the Israeli Trust of any Approved 102 Option or Option Shares issued or transferred upon exercise of such Option (as applicable), the Israeli Optionholder shall pay the Company, the Employer or the Israeli Trustee (as applicable), in addition to the Exercise Price, such amount as the Company, the Employer or the Israeli Trustee (as applicable) may be required, as determined by it at its sole discretion, under all applicable laws, rules and regulations, to withhold and pay over as Required Tax Payments with respect to the relevant Option or the Option Shares covered thereby. The Required Tax Payments shall be paid by the Israeli Optionholder to the Company, the Employer or the Israeli Trustee (as applicable) in cash (or cash equivalent). If the Israeli Optionholder fails to pay the Required Tax Payments, the Company and/or the Employer (as applicable) may, in its sole discretion, deduct any Required Tax Payments from any amount then, or thereafter becoming, payable by the Company or the Employer to the Israeli Optionholder.
- 10.3 For purposes of simplicity and in order to ensure compliance with the Section 102 or any other provisions of the Ordinance, the documentation to give effect to the exercise of the Options and the purchase and sale of Option Shares issued or transferred thereunder may be executed and delivered by the Company.
- 10.4 The Company and/or the Israeli Trustee shall not be required to effect the registration or transfer of any Option Share or release any related share certificate until all Required Tax Payments have been made in full, to the satisfaction of the Israeli Trustee.

11. GOVERNING LAW & JURISDICTION

The Israeli Appendix shall be governed by and construed and enforced in accordance with the laws of the State of Israel applicable to contracts made and to be performed therein, without giving effect to the principles of conflict of laws. The competent courts of Israel shall have sole jurisdiction in any matters pertaining to this Israeli Appendix.