

GW PHARMACEUTICALS PLC

FORM S-8 (Securities Registration: Employee Benefit Plan)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-8
REGISTRATION STATEMENT
Under
the SECURITIES ACT OF 1933

GW PHARMACEUTICALS PLC

(Exact Name of Registrant as Specified in Its Charter)

England and Wales

(State or Other Jurisdiction of
Incorporation or Organization)

Not applicable

(I.R.S. Employer
Identification No.)

**Sovereign House, Vision Park , Histon
Cambridge CB24 9BZ
United Kingdom**

(Address, Including Zip Code, of Principal Executive Offices)

GW Pharmaceuticals plc 2017 Long-Term Incentive Plan
(Full Title of the Plan)

**Greenwich Biosciences, Inc.
5750 Fleet Street, Suite 200
Carlsbad, CA 92008
(760) 795-2200**

(Name, Address and Telephone Number, Including Area Code, of Agent For Service)

Please send copies of all communications to:

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Scott Giacobello, Chief Financial Officer
GW Pharmaceuticals plc
c/o Greenwich Biosciences, Inc.
5750 Fleet Street, Suite 200
Carlsbad, CA 92008
(760) 795-2200**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of securities to be registered ⁽¹⁾	Amount to be Registered ^{(2) (3)}	Proposed Maximum Offering Price Per Share ⁽⁴⁾	Proposed Maximum Aggregate offering price ⁽⁴⁾	Amount of registration fee
GW Pharmaceuticals plc 2017 Long-Term Incentive Plan Ordinary Shares, par value £0.001 per share	15,000,000	\$ 9.84	\$ 147,600,000	\$ 17,107

- (1) This Registration Statement registers ordinary shares, par value £0.001 per share of GW Pharmaceuticals plc that may be granted pursuant to the GW Pharmaceuticals plc 2017 Long-Term Incentive Plan. Ordinary shares may be represented by American Depositary Shares (“ADSs”). ADSs evidenced by American Depositary Receipts issuable upon deposit of ordinary shares have been registered under the registration statements on Form F-6 (File No. 333-187978). Each ADS represents 12 ordinary shares.
- (2) Represents ordinary shares reserved for issuance under the GW Pharmaceuticals plc 2017 Long-Term Incentive Plan.
- (3) Pursuant to Rule 416 of the Securities Act of 1933, as amended, this Registration Statement also covers an indeterminable number of additional ordinary shares that may become issuable pursuant to terms designed to prevent dilution resulting from share splits, share dividends or similar events.
- (4) Calculated solely for the purpose of determining the registration fee pursuant to the provisions of Rule 457(c) and (h) under the Securities Act of 1933, as amended on the basis of \$9.84 per share, which represents the average of the high and low reported prices of the ADSs as reported on NASDAQ on April 12, 2017 divided by 12.
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PART I
INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

Information required by Part I to be contained in the Section 10(a) prospectus is omitted from this Registration Statement in accordance with Rule 428 under the Securities Act of 1933, as amended (the "Securities Act"), and the Note to Part I of Form S-8.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents filed by the Registrant with the Commission are incorporated herein by reference:

- (1) The Registrant's Annual Report on Form 20-F (File No. 001-35892) for the fiscal year ended September 30, 2016 filed by the Registrant with the Commission on December 5, 2016 pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act");
- (2) The description of the Registrant's ordinary shares, £0.001 par value per share, and ADSs contained in the Registrant's Registration Statement on Form 8-A (File No. 001-35892), filed with the Commission pursuant to Section 12 of the Exchange Act, on April 26, 2013, and any other amendments or reports filed for the purpose of updating such description; and
- (3) All reports and other documents filed by the Registrant after the date hereof pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference herein and to be part hereof from the date of filing of such reports and documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Registration Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

Item 4. Description of Securities.

Not applicable.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

The Registrant's articles of association provide that, subject to the Companies Act 2006, every person who is or was at any time a director or other officer (excluding an auditor) of the Registrant may be indemnified out of the assets of the Registrant against all costs, charges, expenses, losses or liabilities incurred by him in performing his duties or the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

The Registrant also maintains directors and officers insurance to insure such persons against certain liabilities.

The relevant provisions under the Companies Act 2006 are Sections 205, 206, 232, 233, 234, 235, 236, 237, 238 and 1157.

Section 205 provides that a company can provide a director with the funds to meet expenditures incurred or to be incurred in defending certain criminal or civil proceedings or in connection with any application under Sections 661(3) and 661(4) (acquisition of shares by innocent nominee) or Section 1157 (described below). Such financial assistance must be repaid if the director is convicted in the proceedings, judgment is found against such director in the proceedings or the court refuses to grant the relief on the application.

Section 206 provides that a company can provide a director with the funds to meet expenditures incurred or to be incurred by him in defending himself in an investigation by a regulatory authority, or against action proposed to be taken by a regulatory authority, in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the company or an associated company.

Section 232 provides that any provision to exempt to any extent a director from any liability from negligence, default, breach of duty or trust by him in relation to the company is void. Any provision by which a company directly or indirectly provides (to any extent) an indemnity for a director of the company, or of an associated company, against any such liability is also void except as permitted by Sections 233, 234 or 235 (described below).

Section 233 permits liability insurance, commonly known as directors' and officers' liability insurance, to be purchased and maintained by a company for a director of the company or of an associated company against liability for negligence, default, breach of duty or breach of trust in relation to the company.

Pursuant to Section 234, an indemnity is a qualifying third party indemnity as long as it does not provide: (i) any indemnity against any liability incurred by the director to the company or to any associated company; (ii) any indemnity against any liability incurred by the director to pay a fine imposed in criminal proceedings or a sum payable to a regulatory authority by way of a penalty in respect of non-compliance with any requirement of a regulatory nature (however arising); and (iii) any indemnity against any liability incurred by the director in defending criminal proceedings in which he is convicted, civil proceedings brought by the company or an associated company in which judgment is given against such director or where the court refuses to grant such director relief under an application under Sections 661(3) and 661(4) (acquisition of shares by innocent nominee) or Section 1157 (described below).

Section 235 allows a company to provide, subject to certain exceptions, an indemnity to a director if the company is a trustee of an occupational pension scheme, with such indemnity to protect against liability incurred in connection with the company's activities as trustee of the scheme.

Any indemnity provided under Section 234 or Section 235 and in force for the benefit of one or more directors of the company or an associated company must be disclosed in the directors' annual report in accordance with Section 236 and copies of such indemnification provisions made available for inspection in accordance with Section 237 (and every shareholder has a right to inspect and request such copies under Section 238).

Section 1157 provides that in proceedings against an officer of a company for negligence, default, breach of duty or breach of trust, the court may relieve such officer from liability, either wholly or in part, if it appears to the court that such officer may be liable but acted honestly and reasonably and that having regard to all the circumstances of the case, such officer ought fairly to be excused. Further, an officer who has reason to apprehend that a claim of negligence, default, breach of duty or breach of trust will or might be made against him may apply to the court for relief, and the court has the same power to relieve such officer as it would have had if it had been a court before which proceedings had been brought.

A court has wide discretion in granting relief, and may authorize civil proceedings to be brought in the name of the company by a shareholder on terms that the court directs. Except in these limited circumstances, English law does not generally permit class action lawsuits by shareholders on behalf of the company or on behalf of other shareholders. It is possible for shareholders to form a group in order to bring a claim, but this has to be on the basis that each shareholder has expressly opted in to the group. The court may then direct that a lead claim or claims be heard to determine issues common to the wider group.

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

The following exhibits are filed with or incorporated by reference into this Registration Statement:

Exhibit Number	Description
4.1	GW Pharmaceuticals plc 2017 Long-Term Incentive Plan
5.1	Opinion of Mayer Brown International LLP
23.1	Consent of Deloitte LLP
23.2	Consent of Mayer Brown International LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included in the signature page to this Registration Statement)

Item 9. Undertakings.

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of a prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) above shall not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Carlsbad, State of California, on April 17, 2017.

GW PHARMACEUTICALS PLC

By: /s/ Justin Gover
Name: Justin Gover
Title: Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dr. Geoffrey Guy, Justin Gover and Scott Giacobello, and each of them, as his true and lawful attorneys-in-fact and agents, each with the full power of substitution, for him and in his name, place or stead, in any and all capacities, to sign (i) any and all amendments, including post-effective amendments, and supplements to this registration statement on Form S-8, (ii) any exhibits to any such registration statement, amendments, supplements or (iii) any and all applications and other documents in connection with any such registration statement amendments, or supplements, and generally to do all things and perform any and all acts and things whatsoever requisite and necessary or desirable to enable GW Pharmaceuticals plc to comply with the provisions of the Securities Act of 1933, as amended, and all requirements of the Securities and Exchange Commission.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities indicated on April 17, 2017.

Signature	Title
<u>/s/ Justin Gover</u> Justin Gover	Chief Executive Officer and Director (<i>Principal Executive Officer</i>)
<u>/s/ Scott Giacobello</u> Scott Giacobello	Chief Financial Officer (<i>Principal Financial and Accounting Officer</i>)
<u>/s/ Dr. Geoffrey Guy</u> Dr. Geoffrey Guy	Director
<u>/s/ James Noble</u> James Noble	Director
<u>/s/ Cabot Brown</u> Cabot Brown	Director
<u>/s/ Thomas Lynch</u> Thomas Lynch	Director
<u>/s/ Scott Giacobello</u> Scott Giacobello	Authorized Representative in the United States

INDEX OF EXHIBITS

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GW Pharmaceuticals plc

2017 LONG-TERM INCENTIVE PLAN

Approved by shareholders on 14 March 2017

Adopted by the board of directors on 14 March 2017

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**RULES OF THE
GW PHARMACEUTICALS PLC 2017 LONG-TERM INCENTIVE PLAN**

1. INTRODUCTION

The Plan is a discretionary benefit offered by GW Pharmaceuticals plc for the benefit of employees, directors and consultants of its group. Its main purpose is to increase the interest of such people in GW Pharmaceuticals plc's long-term business goals and performance through share ownership. The Plan is an incentive for their future performance and commitment to the goals of the GW Pharmaceuticals group.

The Plan allows for the grant of Awards in the form of:

- (a) Conditional Awards, which are rights to receive Shares for free automatically to the extent the Award Vests; and
- (b) Options, which are Awards under which the Participant can buy Shares, to the extent the Award has Vested, during the Exercise Period at a price (which may be zero) set when the Option is granted.

The Plan also provides (in Rule 3 (*Investment Shares*) for invitations to be made to Participants to acquire Investment Shares. Where a Participant acquires Investment Shares, he will also be granted a Matching Award (which may be either a Conditional Award or an Option).

Awards which are not Matching Awards are termed Incentive Awards.

Share-based Awards may be settled in cash under Rule 9 (*Cash Alternative*), and Awards which may only be settled in cash may be granted under Schedule 1 (*Cash Conditional Awards*).

Options may be granted as enterprise management incentive (EMI) options under Schedule 2, if the relevant conditions are met, which may have tax advantages for UK resident Participants. Options may be granted to eligible US Taxpayers that qualify ISO Options, to the extent permitted or desirable. Only employees of the Company and any "subsidiary" of the Company (as such term is defined in Section 424(f) of the IRS Code, respectively), shall be eligible to receive ISO Options on such terms established by the Committee in compliance with the requirements of Section 422 of the IRS Code.

2. DEFINITIONS AND INTERPRETATION

2.1 In the Plan, unless the context otherwise requires:

"**ADS**" means an American Depositary Share (also known as an American Depositary Receipt or ADS), each of which represents 12 ordinary shares of nominal value 0.1p in the capital of the Company (the underlying Ordinary Shares);

"**Award**" means an Incentive Award or a Matching Award in the form of a Conditional Award or an Option;

"**Board**" means the board of directors of the Company or a duly authorised committee of the Board or a duly authorised person;

"Committee" means the remuneration committee of the Board or, on and after the occurrence of a corporate event described in Rule 12 (*Takeovers and other corporate events*), the remuneration committee of the Board as constituted immediately before such event occurs;

"Company" means GW Pharmaceuticals plc (registered in England and Wales with registered number 4160917) ;

"Conditional Award" means a conditional right to acquire Shares granted under the Plan which is designated as a conditional award under Rule 4.2 (*Type of Award*);

"Connected Person" means an individual who is a an employee or director (including a non-executive director) of, or a Consultant to, a Group Member;

"Consultant" means an individual who is contracted to provide services to a Participating Company or a Group Member (as applicable) and who is not an employee or director of that company;

"Control" means control within the meaning of section 719 of ITEPA;

"Dividend Equivalent" means a benefit calculated by reference to dividends paid on Shares as described in Rule 4.4;

"Early Vesting Date" means either:

- (a) the date a Participant ceases to be a Connected Person where Rule 11.2(b) (*Good Leaver: unvested Awards*) applies or such later date determined in accordance with that Rule; or
- (b) the date of Vesting referred to in Rule 12.1 (*General offers*), Rule 12.2 (*Schemes of arrangement and winding up*) or Rule 12.3 (*Demergers and similar events*) (as applicable); or
- (c) such other date on which the Committee allows Discretionary Vesting before the Normal Vesting Date in accordance with Rule 6.1 (*Timing of Vesting: Normal Vesting Date*);

"Eligible Person" means an individual who is an employee or director (including a non-executive director) of, or a Consultant to, a Participating Company;

"Employer Social Security Liability" means employer's national insurance contributions (secondary class 1) or equivalent in jurisdictions other than the UK, to the extent lawfully recoverable from the relevant employee, for which any Group Member or former Group Member is liable to account to the relevant authority;

"Exercise Period" means the period referred to in Rule 7.2 during which an Option may be exercised;

"Fair Market Value" means, with respect to a Share, as of any date (i) if the Shares are admitted to trading on a securities exchange, the closing price of a Share on the preceding day on such securities exchange or, if no such sale is reported on that date, on the last preceding date on which a sale was so reported; (ii) if the Shares are not at the time listed or admitted to trading on a stock exchange, the closing average of the closing bid and asked price of a Share on the preceding day in the over-the-counter market, as such price is reported in a publication of general circulation selected by the Committee and regularly reporting the market price of the Shares in such market; or (iii) if the Shares are not listed or admitted to trading on any stock exchange or traded in the over-the-counter market, as determined by the Committee in good faith using a reasonable application of a reasonable valuation method. For purposes of Options granted to US Taxpayers, Fair Market Value shall also be determined in a manner compliant with Section 409A or, in the case of an ISO Option, in compliance with Section 422 of the IRS Code.

"Grant Date" means the date on which an Award is granted;

"Group Member" means:

- (a) a Participating Company or a body corporate which is the Company's holding company (within the meaning of section 1159 of the Companies Act 2006) or a Subsidiary of the Company's holding company;
- (b) a body corporate which is a subsidiary undertaking (within the meaning of section 1162 of that Act) of a body corporate within paragraph (a) above and has been designated by the Board for this purpose; and
- (c) any other body corporate in relation to which a body corporate within paragraph (a) or (b) above is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights and has been designated by the Board for this purpose;

"Incentive Award" means an Award designated as an Incentive Award under Rule 4.2 (*Type of Award*);

"IRS Code" means the United States Internal Revenue Code, as the same may be amended from time to time and any successor thereto

"ISO Option" means an Option granted to a US Taxpayer that is intended to be, and qualifies as, an incentive stock option within the meaning of Section 422 of the IRS Code.

"ITEPA" means the Income Tax (Earnings and Pensions) Act 2003;

"Investment Shares" means Shares acquired pursuant to Rule 3 (*Investment Shares*) and any further Shares added to a holding of Investment Shares under Rule 3.4 (*Variation of share capital – Investment Shares*);

"Matching Award" means an Award designated as a Matching Award under Rule 4.2 (*Type of Award*);

"Normal Vesting Date" means the date on which an Award Vests under Rule 6.1 (*Timing of Vesting: Normal Vesting Date*), in the absence of an Early Vesting Date;

"Option" means a right to acquire Shares granted under the Plan which is designated as an option under Rule 4.2 (*Type of Award*);

"Option Price" means the amount, if any, payable per Share on the exercise of an Option;

"Ordinary Shares" means fully paid ordinary shares of nominal value 0.1p in the capital of the Company;

"Participant" means in the case of an Incentive Award, such Eligible Person to whom an Incentive Award is granted, and, in the case of a Matching Award, a person who acquires Investment Shares pursuant to Rule 3 (*Investment Shares*) including, in either case, his personal representatives;

"Participating Company" means the Company or any Subsidiary of the Company;

"Performance Condition" means a condition related to performance which is specified by the Committee under Rule 4.1 (*Terms of grant*);

"Plan" means the GW Pharmaceuticals plc 2017 Long-Term Incentive Plan as amended from time to time;

"Regular Option" means an Option other than a Short-Term Option or an RSU-style Option;

"Return Date" means the date by which an invitation issued under Rule 3.2 (*Invitations in respect of Investment Shares*) must be returned to the Company;

"RSU-style Option" is an Option with an Option Price equal to the nominal value of an Ordinary Share, if it is an option to acquire Ordinary Shares, or twelve times the nominal value of an Ordinary Share (being 1.2p per ADS), if it is an option to acquire ADSs, which is automatically exercised in accordance with the provisions of Rule 8.4 (*Method of exercise: RSU-style Option*) as soon as it becomes exercisable;

"Rule" means a rule of the Plan;

"Section 409A" means Section 409A of the IRS Code and the Treasury Regulations and other guidance published by the United States Treasury Department and the United States Internal Revenue Service with respect thereto, and any United States state law of similar effect.

"Shares" means Ordinary Shares or ADSs, as the context so admits;

"Short-Term Deferral Period" means the short-term deferral period (within the meaning of IRS Code Section 409A and Treas. Regs. §1.409A-1(b)(4));

"Short-Term Option" is an Option which may not be exercised later than the end of the Short-Term Deferral Period in relation to that Option;

"Subsidiary" means a body corporate which is a subsidiary (within the meaning of section 1159 of the Companies Act 2006);

"Tax Liability" means any amount of tax or social security contributions for which a Participant would or may be liable and for which any Group Member or former Group Member would or may be obliged to (or would or may suffer a disadvantage if it were not to) account for to any relevant authority, together with any Employer Social Security Liability in relation to a specific Award to the extent that the Committee determined at the Grant Date that such liability was to be recovered from the Award Holder;

"Treasury Regulations" or **"Treas. Regs . "** means the United States Treasury Regulations, as the same may be amended from time to time and any successor thereto;

"US Taxpayer" means a person who is subject to the federal income tax laws of the United States;

"Vest" means:

- (a) in relation to a Conditional Award, a Participant becoming entitled to have Shares transferred to him (or his nominee) subject to the Rules;
- (b) in relation to an Option, it becoming exercisable (subject to the conditions contained in Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*)),

and **Vesting** shall be construed accordingly;

"Vested Shares" means those Shares in respect of which an Award Vests.

2.2 Any reference in the Plan to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

2.3 Expressions in italics and headings are for guidance only and do not form part of the Plan.

3. **INVESTMENT SHARES**

3.1 **Invitations in respect of Investment Shares**

Where the Committee is proposing the grant of Matching Awards, it may invite any Eligible Person to provide funds to acquire Shares in accordance with Rule 3.2 (*Source of Investment Shares*). Any such invitation shall specify:

- (a) whether the invitation relates to Ordinary Shares or ADSs;
- (b) the maximum amount which may be used to acquire Investment Shares (or the basis for calculating such amount);
- (c) the procedure for providing the funds to invest in Investment Shares;
- (d) a Return Date;
- (e) the maximum number of Shares over which a related Matching Award will be made (or how that number will be determined); and
- (f) such other terms relating to the Investment Shares as the Committee may decide from time to time.

3.2 **Source of Investment Shares**

In relation to the proposed grant of any Matching Award, an individual's Investment Shares shall, at the discretion of the Committee, comprise:

- (a) Shares acquired pursuant to Rule 3.3 (*Acquisition of Investment Shares*) using an amount of the individual's post-tax annual bonus; and/or
- (b) Shares acquired pursuant to Rule 3.3 (*Acquisition of Investment Shares*) using an individual's monies other than an amount of his post-tax annual bonus.

3.3 **Acquisition and holding of Investment Shares**

As soon as practicable after the Return Date, and subject to any restrictions referred to in Rule 4.7 (*Approvals and consents*), the Company will procure the acquisition of the Investment Shares. Investment Shares will then be held in one or more of the following ways:

- (a) on the Participant's behalf by a nominee chosen from time to time by the Committee; or
- (b) directly by the Participant but he will deposit the documents of title relating to the Investment Shares with any person specified by the Committee;
or
- (c) by such other method as the Committee decides that will enable it to monitor ownership of the Investment Shares.

3.4 **Variation of share capital – Investment Shares**

Unless the Committee decides otherwise, if:

- (a) a Participant acquires any further Shares by virtue of his holding of Investment Shares under a variation of share capital of the Company then he may add those Shares to his holding of Investment Shares;
- (b) a Participant receives a special dividend by virtue of his holding of Investment Shares, he may purchase further Shares with the dividend and add those Shares to his holding of Investment Shares;
- (c) a Participant receives securities other than Shares by virtue of his holding of Investment Shares, he may sell (or where appropriate redeem) those securities and use the proceeds to purchase further Shares which may be added to his holding of Investment Shares

and, in any such case, his Award shall be adjusted accordingly under Rule 13 (*Adjustment of Awards*).

3.5 **Voting and dividend rights**

While a Participant's Investment Shares are held for the purposes of the Plan, he shall be entitled to exercise full voting rights in respect of those Investment Shares and receive any dividends declared by reference to the dividend record dates falling after the date of acquisition of the Investment Shares.

3.6 **Release of Investment Shares on or after Vesting**

On or as soon as practicable after the Vesting or lapse of a Matching Award, the Committee shall transfer or procure the transfer of:

- (a) the legal title for the Investment Shares related to the Award; and/or
- (b) any documents of title relating to those Investment Shares

to the Participant (or his nominee).

4. **GRANT OF AWARDS**

4.1 **Terms of grant**

Subject to Rule 4.6 (*Timing of grant*), Rule 4.7 (*Approvals and consents*) and Rule 5 (*Limits*), the Committee may resolve to grant an Award on:

- (a) the terms set out in the Plan; and
- (b) such additional terms (whether a Performance Condition and/or any other terms) as the Committee may specify

to, in the case of an Incentive Award, such Eligible Persons as it decides and, in the case of a Matching Award, to those Eligible Persons who have acquired Investment Shares.

4.2 **Type of Award**

On or before the Grant Date, the Committee shall determine whether an Award shall be:

- (a) granted in relation to Ordinary Shares or ADSs;
- (b) an Incentive Award or a Matching Award;
- (c) in the form of a Conditional Award or an Option;
- (d) if granted as an Option, whether it is a Regular Option (and if granted to a US Taxpayer, whether it is intended to be an ISO Option), a Short-Term Option or an RSU-style Option;

If the Committee does not specify the type of an Award on or before the Grant Date then an Award shall be an Option to acquire ADSs with an Option Price equal to twelve times the nominal value of an Ordinary Share (1.2p per ADS). Any Option granted to a US Taxpayer with an Option Price that is less than Fair Market Value on the Grant Date that is not granted as an RSU-style Option shall be deemed a Short-Term Option.

4.3 Method of grant

An Award shall be granted as follows:

- (a) by deed executed by the Company; and
- (b) if an Award is an Option, the Committee shall determine the Option Price (if any) on or before the Grant Date provided that, except in the case of an Option granted to a US Taxpayer, the Committee may reduce or waive such Option Price on or prior to the exercise of the Option. In the case of a Regular Option granted to a US Taxpayer, the Option Price per Share shall, subject to any adjustments permitted by Section 409A of the IRS Code and its regulations for corporate transactions, never be less than the Fair Market Value of such Share on the Grant Date.

In the case of an Option granted to a US Taxpayer, for the avoidance of doubt, the following actions shall have occurred as of the Grant Date: (i) the recipient of the grant of the Option shall have been identified, (ii) the maximum number of Shares that can be purchased under the Option shall have been established, (iii) the Option Price shall have been established; (iv) whether the Option is granted in relation to Ordinary Shares or ADSs shall have been established (all Options not designated otherwise shall be Options to acquire ADSs); and (v) the recipient of the grant shall have acquired a legally binding right to the Option (which may, however, be subject to lapse or forfeiture).

4.4 Acceptance of RSU-style Options

An RSU-style Option is subject to the requirement that the Participant executes as a deed an acceptance in such form as the Board may specify agreeing to be bound by the terms of the Award, and undertaking to pay the Option Price for the Award upon its exercise in accordance with Rule 8.4 (*Method of exercise: RSU-style Option*) (an "**Acceptance**") and delivers the same to the Company. If the Participant has not duly executed and delivered an Acceptance by midnight on the date 30 days after the Grant Date the Company may, at any time before the delivery of a duly executed Acceptance determine that the Award has lapsed. The undertaking to pay the Option Price shall be deemed an undertaking to pay the subscription price for the Ordinary Shares, or underlying Ordinary Shares, as appropriate, subject to the Award.

4.5 Treatment of dividends

The Committee may, but is not obliged to, decide on or before the grant of an Award that either:-

- (a) a Participant (or his nominee) shall be entitled to receive a benefit determined by reference to the value of the dividends that would have been paid on the Vested Shares in respect of dividend record dates occurring during the period between the Grant Date and the date of Vesting. The Committee shall decide the basis on which the value of such dividends shall be calculated which may assume the reinvestment of dividends. The Committee may also decide at this time whether the Dividend Equivalent shall be provided to the Participant in the form of cash and/or Shares. The Dividend Equivalent shall be provided in accordance with Rule 7.3; or
- (b) it shall grant an Award on terms where the number of Shares comprised in an Award shall increase by deeming dividends that would have been paid on such Shares in respect of dividend record dates occurring within the period between the Grant Date and the date of Vesting to have been reinvested in additional Shares on such terms (as to the price at which any such additional Shares shall be deemed to have been purchased or otherwise) as the Committee shall decide on or before the Grant Date of an Award.

4.6 **Method of satisfying Awards**

Unless specified to the contrary by the Committee on the Grant Date, an Award may be satisfied:

- (a) by the issue of new Shares; and/or
- (b) by the transfer of existing Shares.

The Committee may decide to change the way in which it is intended that an Award may be satisfied after it has been granted, having regard to the provisions of Rule 5 (*Limits*).

4.7 **No grants after expiry of ten-year grant period**

No Awards may be granted after 13 March 2022 (that is, the expiry of the period of 5 years beginning with the date on which the Plan is approved by the shareholders of the Company). The Plan shall remain in effect after that date in relation to any Awards granted before that date which are still outstanding.

4.8 **Approvals and consents**

The grant of any Award shall be subject to obtaining any approval or consent required under any applicable rules of any exchange on which Shares or securities of the Company are listed or traded, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers, or any other relevant UK or overseas regulation or enactment.

4.9 **Non-transferability and bankruptcy**

An Award granted to any person:

- (a) shall not be transferred, assigned, encumbered, pledged, charged or otherwise disposed of (save as expressly permitted below in this Rule 4.9 and except on his death to his personal representatives) and shall lapse immediately on any attempt to do so; and
- (b) shall lapse immediately if he is declared bankrupt.

Notwithstanding the foregoing, Participants resident in the United States of America may with the permission of the Committee transfer an Award to family members by gift or pursuant to a domestic relations order, within the parameters permitted for registration of the Shares on a Form S-8 Registration Statement under the US Securities Act of 1933, as amended and other applicable securities rules. In no event may any Award be transferred for consideration.

5. **LIMITS**

5.1 **10 per cent. in 10 years limit**

An Award shall not be granted in any calendar year if, at the time of its proposed Grant Date, it would cause the number of Ordinary Shares allocated (as defined in Rule 5.2) in the period of 10 calendar years ending with that calendar year under:

- (a) the Plan;
 - (b) any other employee share plan operated by the Company; and
 - (c) any other share incentive arrangement operated by the Company for the benefit of directors of, or consultants to, any Participating Company
- to exceed such number as represents 10 per cent. of the ordinary share capital of the Company in issue at that time.

5.2 **Meaning of "allocated"**

For the purposes of Rule 5.1:

- (a) Ordinary Shares are allocated:
 - (i) when an option, award or other contractual right to acquire Shares which may result in the issue of new Ordinary Shares (including as part of the process for the issue of new ADSs) is granted;
 - (ii) where Ordinary Shares are issued (including as part of the process for the issue of new ADSs) otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Ordinary Shares are issued;
- (b) any Ordinary Shares which have been issued or which may be issued to any trustees to satisfy the exercise of any option, award or other contractual right granted under any arrangement falling within Rule 5.1 shall count as allocated unless they are already treated as allocated under this Rule; and
- (c) for the avoidance of doubt, existing Ordinary Shares that are transferred or over which options, awards or other contractual rights are granted shall not count as allocated.

5.3 **Post-grant events affecting numbers of "allocated" Ordinary Shares**

For the purposes of Rule 5.2:

- (a) where:
 - (i) any option, award or other contractual right to acquire unissued Shares is released or lapses (whether in whole or in part); or
 - (ii) after the grant of an option, award or other contractual right the Committee determines that:
 - (aa) it shall be satisfied by the payment of cash equal to the gain made on its vesting or exercise; or

(bb) it shall be satisfied by the transfer of existing Shares

the unissued Ordinary Shares which consequently cease to be subject to the option, award or other contractual right (whether directly or as the Ordinary Shares represented by ADSs) shall not count as allocated; and

(b) the number of Ordinary Shares allocated in respect of an option, award or other contractual right shall be such number as the Board shall reasonably determine from time to time.

5.4 Overall Plan limit and ISO Option limit

(a) No Award may be granted if it would cause the aggregate number of Ordinary Shares which have been and may be issued (including as part of the process for the issue of new ADSs) pursuant to Awards granted under the Plan since its adoption to exceed 15,000,000, subject to such adjustment as the Board may determine to be appropriate following a variation of the share capital of the Company.

(b) The aggregate maximum number of Ordinary Shares which have been and may be acquired by Participants (including the underlying Ordinary Shares in relation to ADSs) pursuant to the exercise of ISO Options granted under the Plan since its adoption shall be 5,000,000 (the "**ISO Limit**"), subject to such adjustment as the Board may determine to be appropriate upon any change that is made in, or other events that occur with respect to, the Shares without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, share dividend, dividend in property other than cash, large nonrecurring cash dividend, share split, reverse share split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction. For clarity, the ISO Limit shall not permit any Award to be granted if it would cause the aggregate number of Ordinary Shares which may be acquired pursuant to all Awards granted under the Plan to exceed the overall plan limit described in Rule 5.4(a) above.

5.5 Individual limit

(a) The maximum total value (calculated as set out in this Rule) of Awards which may be granted to any person during any financial year of the Company is 600% of his salary (as defined in this Rule) unless Rule 5.5(b) applies.

(b) If the Committee decides that exceptional circumstances exist, such as in relation to the recruitment or retention of an eligible employee, then Awards may be granted to him in excess of the limit set out in Rule 5.5(a).

For the purpose of this Rule 5.5:

(i) a person's **salary** shall be taken to be his base salary (excluding benefits in kind) and/or fees paid to him or in respect of his services, expressed as an annual rate payable by the Participating Companies to him on the Grant Date (or such earlier date as the Committee shall determine). Where a payment of salary is made in a currency other than sterling, the payment shall be treated as equal to the equivalent amount of sterling determined by using any rate of exchange which the Committee may reasonably select; and

(ii) the **value** of an Award shall be the fair value of the Award calculated as at the relevant Grant Date in accordance with generally accepted methodologies based on Black Scholes or Binominal stochastic models.

5.6 **Effect of limits**

Any Award shall be limited and take effect so that the limits in this Rule 5 are complied with.

6. **VESTING OF AWARDS**

6.1 **Timing of Vesting: Normal Vesting Date**

Subject to Rule 6.3 (*Restrictions on Vesting: tax issues*), an Award shall Vest on the later of:

- (a) the date on which the Committee determines whether or not any Performance Condition and any other condition imposed on the Vesting of the Award has been satisfied (in whole or part); and
- (b) the third anniversary of the Grant Date, or such other date (which may be before the third anniversary of the Grant Date) as the Committee may determine on or before the grant of the relevant Award,

except where earlier Vesting occurs on an Early Vesting Date under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*) or where the Committee in its discretion permits earlier Vesting, whether pursuant to a separate written plan or agreement approved by the Committee or otherwise (**"Discretionary Vesting"**) .

6.2 **Extent of Vesting**

An Award shall only Vest to the extent:

- (a) that any Performance Condition is satisfied on the Normal Vesting Date or, if appropriate, the Early Vesting Date;
- (b) permitted by any other term imposed on the Vesting of the Award, or pursuant to a separate written plan or agreement approved by the Committee; and
- (c) in relation to Vesting before the Normal Vesting Date, as permitted by Rules 11.5 and 12.5 (*Reduction in number of Vested Shares*), or, in the case of Discretionary Vesting to the extent determined by the Committee in its discretion.

Where, under Rule 11 (*Leavers*) or Rule 12 (*Takeovers and other corporate events*) or in the case of Discretionary Vesting, an Award would (subject to the satisfaction of any Performance Condition) Vest before the end of the full period over which performance would be measured under Performance Condition then, unless provided to the contrary by the Performance Condition, the extent to which the Performance Condition has been satisfied in such circumstances shall be determined by the Committee on such reasonable basis as it decides.

6.3 **Restrictions on Vesting: tax issues**

An Award shall not Vest unless and until the following conditions are satisfied:

- (a) if, on the Vesting of the Award, a Tax Liability would arise by virtue of such Vesting and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 6.5 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability; and

- (b) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 6.3, references to Group Member include any former Group Member.

In the case of a Participant who is a US Taxpayer, any delay in the Vesting of an Award for the satisfaction of the conditions in Rule 6.3(a) or (b) shall not delay the distribution of Shares or cash in lieu of Shares beyond the Short-Term Deferral Period in relation to the Award, and if any of those conditions is not satisfied by the end of that Short-Term Deferral Period the Award shall lapse without any further obligation of the Company, the Participant's employer, or any other Group Member to the Participant with respect thereto.

6.4 **Tax Liability before Vesting**

If any Tax Liability will or is likely to arise before the Vesting of an Award then the Participant must enter into arrangements acceptable to any relevant Group Member to ensure that it receives the amount of such Tax Liability. If no such arrangement is made then the Participant shall be deemed to have authorised the Company to sell or procure the sale of sufficient of the Shares subject to his Award on his behalf to ensure that the relevant Group Member receives the amount required to discharge the Tax Liability and the number of Shares subject to his Award shall be reduced accordingly.

For the purposes of this Rule 6.4, references to Group Member include any former Group Member.

6.5 **Payment of Tax Liability**

The Participant authorises the Company to:

- (a) sell or procure the sale of sufficient Vested Shares on or following the Vesting of his Award on his behalf to ensure that any relevant Group Member or former Group Member receives the amount required to discharge the Tax Liability which arises on Vesting; or
- (b) to withhold from the number of Shares deliverable on the Vesting of the Award such number of Shares as has a Fair Market Value on the date the Tax Liability is to be determined equal to the Tax Liability in satisfaction of the Participant's obligations in relation to that Tax Liability,

except to the extent that the Board decides that all or part of the Tax Liability shall be funded in a different manner.

7. **CONSEQUENCES OF VESTING**

7.1 **Conditional Awards**

On or as soon as reasonably practicable after the Vesting of a Conditional Award, the Company shall, subject to Rule 6.5 (*Payment of Tax Liability*) and any arrangement made under Rules 6.3(a) and 6.3(b) (*Restrictions on Vesting: tax issues*), transfer or procure the transfer of the Vested Shares to the Participant (or a nominee for him).

7.2 Options

An Option shall, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercisable in respect of Vested Shares at any time prior to:

- (a) in relation to a Regular Option, the tenth anniversary of the Grant Date; and
- (b) in relation to a Short-Term Option, the end of the Short-Term Deferral Period in relation to that Option,

unless, in each case, it lapses earlier under Rule 11.2 (*Good Leavers: unvested Awards*), Rule 11.3 (*Good Leavers: Vested Awards*), Rule 11.4 (*Other leavers*), Rule 12.1 (*General offers*), Rule 12.2 (*Schemes of arrangement and winding up*) or Rule 12.3 (*Demergers and similar events*).

For purposes of clarity, an RSU-style Option shall be automatically exercised upon Vesting in accordance with the provisions of Rule 8.4 (*Method of exercise: RSU-style Option*) and therefore there is no period where the Participant may exercise it.

7.3 Dividend Equivalent

If the Committee decided under Rule 4.4 (*Treatment of dividends*) that a Participant would be entitled to a Dividend Equivalent in relation to Shares under their Award but did not decide at that time whether the Dividend Equivalent would be provided in the form of cash and/or Shares, then the Committee shall make such decision on or as soon as practicable after Vesting.

The Committee, acting fairly and reasonably, may decide to exclude the value of all or part of a special dividend or any other dividend from the amount of the Dividend Equivalent.

The provision of the Dividend Equivalent to the Participant shall be made as soon as practicable after the issue or transfer of Vested Shares and:

- (a) in the case of a cash payment, shall be subject to such deductions (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable; and
- (b) in the case of a provision of Shares, Rule 6.3 (*Restrictions on Vesting: tax issues*) and Rule 6.5 (*Payment of Tax Liability*) shall apply as if such provision was the Vesting of an Award.

8. EXERCISE OF OPTIONS

8.1 Restrictions on the exercise of an Option: regulatory and tax issues

An Option which has Vested may not be exercised unless the following conditions are satisfied:

- (a) the exercise of the Option and the issue or transfer of Shares after such exercise would be lawful in all relevant jurisdictions and in compliance with any applicable rules of any exchange on which Shares or securities of the Company are listed or traded, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;

- (b) if, on the exercise of the Option, a Tax Liability would arise by virtue of such exercise and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 8.5 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability; and
- (c) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Chapter 2, Part 7, ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

In no event shall any restrictions under this Rule 8.1 on the exercise of a Vested Option extend the Exercise Period beyond the limit of Rule 7.2(a) (for a Regular Option) and Rule 7.2(b) (for an RSU-style Option or a Short-Term Option). For the purposes of this Rule 8.1, references to Group Member include any former Group Member.

8.2 Exercise in whole or part

An Option must be exercised over at least 2,000 Shares on any occasion unless the Committee decides that a Participant may exercise the Option in respect of such fewer number of Shares as it decides or there are fewer than 2,000 Shares (or such other number as the Committee may decide) in respect of which the Option may be exercised at the relevant time, in which case the Option must be exercised to the maximum extent possible at that time.

8.3 Method of exercise: Options other than RSU-style Options

The exercise of any Option other than an RSU-style Option shall be effected in the form and manner prescribed by the Board. Unless the Board, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), take effect only when the Company receives it, together with payment of any relevant Option Price (or, if the Board so permits, an undertaking to pay that amount). An RSU-style Option shall be automatically exercised in accordance with the provisions of Rule 8.4.

8.4 Method of exercise: RSU-style Options

An RSU-style Option shall be automatically exercised to the full extent of the Vested Shares on the day it becomes exercisable in relation to those Vested Shares (taking account of any restrictions on exercise pursuant to Rule 8.1), and the Participant's undertaking to pay the Option Price shall satisfy the obligation to pay the Option Price. By accepting the RSU-style Option the Participant shall:

- (a) authorise the Company to sell or procure the sale of sufficient Vested Shares on or following exercise of his RSU-style Option on his behalf to ensure that the Company receives the amount required to discharge that undertaking to pay (and authorises the Company to apply that amount in discharging the undertaking);
- (b) if the Company does not so sell or procure the sale of Vested Shares, authorise the Company to recover a sufficient amount to discharge the undertaking to pay from any amounts payable to the Participant by any Group Member whether by way of salary or otherwise; and
- (c) otherwise agree to be bound by all provisions of the Plan in relation to the RSU-style Option, including, without limitation, in relation to its exercise.

8.5 **Payment of Tax Liability**

The Participant authorises the Company to:

- (a) sell or procure the sale of sufficient Vested Shares on or following exercise of his Option on his behalf to ensure that any relevant Group Member receives the amount required to discharge the Tax Liability which arises on such exercise; or
- (b) to withhold from the number of Shares deliverable on exercise of the Option such number of Shares as has a Fair Market Value on the date the Tax Liability is to be determined equal to the Tax Liability in satisfaction of the Participant's obligations in relation to that Tax Liability,

except to the extent that he and the Company agree that all or part of the Tax Liability is to be funded in a different manner.

8.6 **Transfer or allotment timetable**

As soon as reasonably practicable after an Option has been exercised, the Company shall, subject to Rule 8.5 (*Payment of Tax Liability*) and any arrangement made under Rules 8.1(b) and 8.1(c) (*Restrictions on exercise: regulatory and tax issues*), transfer or procure the transfer to him (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Shares in respect of which the Option has been exercised.

8.7 **Lapse of Options**

An Option which has become exercisable shall, subject to Rule 11.2 (*Cessation of employment in other circumstances*), Rule 12.1 (*General offers*), Rule 12.2 (*Schemes of arrangement and winding up*) or Rule 12.3 (*Demergers and similar events*), lapse at the end of the Exercise Period to the extent it has not been exercised.

9. **CASH ALTERNATIVE**

9.1 **Committee determination**

Where a Conditional Award Vests or where an Option has been exercised and Vested Shares have not yet been allotted or transferred to the Participant (or his nominee), the Committee may determine that, in substitution for his right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of his right to acquire those Shares), he shall be paid by way of additional employment income a sum equal to the cash equivalent (as defined in Rule 9.3) of that number of Shares in accordance with the following provisions of this Rule 9.

9.2 **Limitation on the use of this Rule**

Rule 9.1 shall not apply in relation to an Award made to a Participant in any jurisdiction where the presence of Rule 9.1 would cause:

- (a) the grant of the Award to be unlawful or for it to fall outside any applicable securities law exclusion or exemption; or
- (b) adverse tax or social security contribution consequences for the Participant or any Group Member as determined by the Board

provided that this Rule 9.2 shall only apply if its application would prevent the occurrence of a consequence referred to in (a) or (b) above.

9.3 **Cash equivalent**

For the purpose of this Rule 9, the cash equivalent of a Share is:

- (a) in the case of a Conditional Award, the Fair Market Value of a Share on the day when the Award Vests;
- (b) in the case of an Option, the Fair Market Value of a Share on the day when the Option is exercised reduced by the Option Price.

9.4 **Payment of cash equivalent**

Subject to Rule 9.5 (*Share alternative*), as soon as reasonably practicable after the Committee has determined under Rule 9.1 that a Participant shall be paid a sum in substitution for his right to acquire any number of Vested Shares:

- (a) the Company shall pay to him or procure the payment to him of that sum in cash; and
- (b) if he has already paid the Company for those Shares, the Company shall return to him the amount so paid by him.

9.5 **Share alternative**

If the Committee so decides, the whole or any part of the sum payable under Rule 9.4 shall, instead of being paid to the Participant in cash, be applied on his behalf:

- (a) in subscribing for Shares at a price equal to the market value by reference to which the cash equivalent is calculated; or
- (b) in purchasing such Shares; or
- (c) partly in one way and partly in the other

and the Company shall allot or transfer to him (or his nominee) or procure the transfer to him (or his nominee) of the Shares so subscribed for or purchased.

9.6 **Deductions**

There shall be deducted from any payment under this Rule 9 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable and permitted by law.

10. **LAPSE OF AWARDS**

10.1 **General**

An Award shall lapse:

- (a) in accordance with the Rules; or
- (b) to the extent it does not Vest under these Rules.

10.2 **Dealings in Investment Shares**

A Matching Award shall lapse on the date on which the Participant:

- (a) does any act in breach of any of the terms relating to his Investment Shares unless the Committee decides otherwise; or

(b) loses his entitlement to, transfers, charges, or otherwise disposes of the Investment Shares to which the relevant Matching Award relates and such lapse shall be pro-rata to the number of Investment Shares in respect of which such act or event occurs.

10.3 Short-Term Options

A Short-Term Option shall lapse at the end of the Short-Term Deferral Period in relation to that Option (or such shorter period set forth in the grant documentation or as specified in by the Committee in order to avoid adverse tax consequences), if not exercised.

11. LEAVERS

11.1 Good Leavers

(a) If a Participant who is a UK resident at the Grant Date of an Award ceases to be a Connected Person by reason of:

- (i) death;
- (ii) retirement with the agreement of the Committee (in the case of Participants who are executive directors of the Company or members of senior management) or the employer or company to whom the Participant provides services (in the case of all other UK Participants), determined on a case-by-case basis in the absolute discretion of the Committee, employer or company, as applicable;
- (iii) ill health, injury or disability evidenced to the satisfaction of the Committee;
- (iv) redundancy (within the meaning of the UK Employment Rights Act 1996) or any overseas equivalent;
- (v) his office, employment or consultancy contract being with either a company which ceases to be a Group Member or relating to a business or part of a business which is transferred to a person who is not a Group Member; or
- (vi) for any other reason, if the Committee so decides,

then he shall be a "**Good Leaver**" in relation to that Award.

(b) If a Participant who is resident outside of the UK at the Grant Date of an Award ceases to be a Connected Person, then he shall be a "**Good Leaver**" in relation to that Award if:

- (i) he is required to be so treated to comply with applicable local law;
- (ii) he is to be so treated in accordance with an agreement approved by the Committee, or
- (iii) the Committee otherwise in its complete discretion determines that he is to be so treated.

(c) Where the Committee decides in accordance with Rule 11.1(a)(vi) or Rule 11.1(b)(iii) that the Participant is to be a Good Leaver, they may so decide in relation to all Awards held by the Participant or certain Awards only. In the latter case, the Participant shall only be treated as a Good Leaver in relation to the relevant Awards.

11.2 **Good Leavers: unvested Awards**

Where a Participant ceases to be a Connected Person as a Good Leaver before the Normal Vesting Date of an Award, then:

- (a) subject to Rule 6.3 (*Restrictions on Vesting: tax issues*) and Rule 12 (*Takeovers and other corporate events*), his Award shall Vest on the Normal Vesting Date; unless
- (b) the Committee decides that, subject to Rule 6.3 (*Restrictions on Vesting: tax issues*), his Award shall Vest on the date of cessation or such later date (before the Normal Vesting Date) that the Committee may determine,

and, in both cases, Rule 11.5 (*Leavers: reduction in number of Vested Shares*) shall apply.

If the Participant ceasing to be a Connected Person as a Good Leaver is a US Taxpayer, then only Rule 11.2(b) shall apply to that Participant.

If the Award is an Option other than a RSU-style Option, it may, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 10.3 (*Short-Term Options*), be exercised within six months of the date of Vesting (if Rule 11.2(a) applies), or within six months of the date of cessation (if Rule 11.2(b) applies, but in no event shall it become exercisable at any time after then end of the otherwise applicable Exercise Period. To the extent that the Option is not exercised within the permitted exercise period, it shall (regardless of any other provision of the Plan) lapse at the end of that period.

11.3 **Good Leavers: Vested Awards**

Where a Participant ceases to be a Connected Person as a Good Leaver after the Normal Vesting Date of an Award, the Vested Award (other than a RSU-style Option) may, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 10.3 (*Short-Term Options*), be exercised within six months of the date of cessation, but in no event shall it become exercisable at any time after then end of the otherwise applicable Exercise Period. To the extent that the Option is not exercised within the permitted exercise period, it shall (regardless of any other provision of the Plan) lapse at the end of that period.

11.4 **Other leavers**

If a Participant ceases to be a Connected Person other than as a Good Leaver in relation to an Award held by him then that Award shall lapse immediately on such cessation.

11.5 **Leavers: reduction in number of Vested Shares**

Where an Award Vests on or after a Participant ceasing to be a Connected Person, the Committee shall determine the number of Vested Shares of that Award by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award in accordance with Rule 6.2 (*Extent of Vesting*); and
- (b) if the Committee so decides, applying such reduction to the number of Shares determined under Rule 11.5(a) as it sees fit (such reduction to be, unless it decides otherwise, on such pro-rata basis as it may determine).

If an Award Vests under any of Rules 12.1 to 12.3 when the holder of that Award has ceased to be a Connected Person then this Rule 11.5 shall take precedence over Rule 12.5.

11.6 **Meaning of ceasing to be a Connected Person**

A Participant shall not be treated for the purposes of this Rule 11 as ceasing to be a Connected Person until such time as he is no longer a director or employee of, or a Consultant to, any Group Member. If any Participant ceases to be such a director or employee before the Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work while not acting as an employee or director. In the case of a US Taxpayer, a Participant shall not be treated for the purposes of this Rule 11 as ceasing to be a Connected Person unless and until the Participant has also had a "separation from service" for purposes of Section 409A.

The reason for the termination of office or employment of a Participant, or the relevant consultancy contract, shall be determined by reference to Rules 11.1 and 11.4 regardless of whether such termination was lawful or unlawful.

12. **TAKEOVERS AND OTHER CORPORATE EVENTS**

12.1 **General offers**

If any person (or group of persons acting in concert):

- (a) obtains (or, in the reasonable opinion of the Committee, is expected to obtain) Control of the Company as a result of making a general offer to acquire Shares; or
- (b) having obtained Control of the Company makes such an offer and such offer becomes unconditional in all respects

the Committee shall within 7 days of becoming aware of that event or forming such opinion (as applicable) notify every Participant accordingly and, subject to Rule 12.4 (*Internal reorganisations*), the following provisions shall apply:

- (i) subject to Rule 6.3 (*Restrictions on Vesting: tax issues*), all Awards shall Vest on such date as the Committee may determine (being no later than the date of the change in Control of the Company or the offer becoming unconditional in all respects, as applicable) (such date being the Early Vesting Date) if they have not then Vested and Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply; and
- (ii) any Option may, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercised within one month of the Early Vesting Date (or such shorter period of time approved by the Committee, not to be less than five days), except for RSU-style Options, which shall be automatically exercised to the full extent of the Vested Shares upon the Early Vesting Date, but to the extent that an Option is not exercised within that period, that Option shall (regardless of any other provision of the Plan) lapse at the end of that period.

12.2 **Schemes of arrangement and winding up**

In the event that:

- (a) a compromise or arrangement is sanctioned by the Court under section 899 of the Companies Act 2006 in connection with or for the purposes of a change in Control of the Company; or
- (b) the Company passes a resolution for a voluntary winding up of the Company; or

(c) an order is made for the compulsory winding up of the Company

or, in the reasonable opinion of the Committee, any of the above events is expected to occur, all Awards shall, subject to Rule 6.3 (*Restrictions on Vesting: tax issues*) and Rule 12.4 (*Internal reorganisations*), Vest on such date as the Committee may determine (being no later than the date of such event) (such date being the Early Vesting Date) if they have not then Vested and Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

If an event as described in this Rule 12.2 occurs (or, in the reasonable opinion of the Committee, is expected to occur) then an Option may, subject to Rule 8.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*) and Rule 12.4 (*Internal reorganisations*), be exercised within one month of the Early Vesting Date (except for RSU-style Options, which shall be automatically exercised to the full extent of the Vested Shares upon the Early Vesting Date), but to the extent that the Option is not exercised within that period, it shall (regardless of any other provision of the Plan) lapse at the end of that period.

12.3 Demergers and similar events

If a demerger, special dividend or other similar event (the "**Relevant Event**") is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may, at its discretion, decide that the following provisions shall apply:

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 11 (*Leavers*), his Award Vests and, if relevant, his Option may be exercised on such terms as the Committee may determine and during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine and shall lapse at the end of that period to the extent unexercised;
- (b) if an Award Vests, or an Option is exercised, conditional upon the Relevant Event and such event does not occur then the conditional Vesting or exercise shall not be effective and the Award shall continue to subsist; and
- (c) if the Committee decides that an Award Vests under this Rule 12.3 then the date of that Vesting shall be the Early Vesting Date and the provisions of Rule 12.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

12.4 Internal reorganisations

In the event that:

- (a) a company (the "**Acquiring Company**") is expected to obtain Control of the Company as a result of an offer referred to in Rule 12.1 (*General offers*) or a compromise or arrangement referred to in Rule 12.2(a) (*Schemes of arrangement and winding up*); and
- (b) at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company

then the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 12.1 or Rule 12.2 but shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules will apply to any new award granted under this Rule 12.4 as if references to Shares were references to shares over which the new award is granted and references to the Company were references to the company whose shares are subject to the new award.

In the case of an Award granted to a US Taxpayer, Rule 12.4 shall be administered in a manner that either complies with Section 409A of the IRS Code, or in a manner that does not result in the Award becoming subject to Section 409A.

12.5 **Corporate events: reduction in number of Vested Shares**

If an Award Vests under any of Rules 12.1 to 12.3, the Committee shall determine in its absolute discretion, including by way of an agreement approved by the Committee, the number of Vested Shares of that Award. Without limitation to the generality of the foregoing, the Committee may determine that number by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award; and
- (b) subject to Rule 11.5 (*Leavers: reduction in number of Vested Shares*), and if the Committee so decides, by applying such reduction to the number of Shares determined under Rule 12.5(a) as it sees fit (such reduction to be, unless it decides otherwise, on such pro-rata basis as it may determine).

If an Award Vests under any of Rules 12.1 to 12.3 after the holder of that Award has ceased to be a Connected Person then Rule 11.5 shall take precedence over this Rule 12.5.

13. **ADJUSTMENT OF AWARDS**

13.1 **General rule**

In the event of:

- (a) any variation of the share capital of the Company; or
- (b) a demerger, special dividend or other similar event which affects the market price of Shares to a material extent

the Committee may make such adjustments as it considers appropriate under Rule 13.2 (*Method of adjustment*) taking into account, where relevant, any adjustment to the related holding of Investment Shares under Rule 3.4 (*Variation of share capital – Investment Shares*).

13.2 **Method of adjustment**

An adjustment made under this Rule shall be to one or more of the following:

- (a) the number of Shares comprised in an Award;
- (b) subject to Rule 13.3 (*Adjustment below nominal value*), the Option Price; and
- (c) where any Award has Vested or Option has been exercised but no Shares have been transferred or allotted after such Vesting or exercise, the number of Shares which may be so transferred or allotted and (if relevant) the price at which they may be acquired.

In the case of any Award granted to a US Taxpayer, any adjustment under this Rule 13.2 shall be made in a manner that complies with Sections 409A and, in the case of ISO Options, 424 of the Code.

13.3 **Adjustment below nominal value**

An adjustment under Rule 13.2 may have the effect of reducing the price at which Shares may be subscribed for on the exercise of an Option to less than their nominal value, but only if and to the extent that the Board is authorised:

- (a) to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercised and which are to be allotted after such exercise exceeds the price at which the Shares may be subscribed for; and
- (b) to apply that sum in paying up such amount on such Shares

so that on exercise of any Option in respect of which such a reduction shall have been made the Board shall capitalise that sum (if any) and apply it in paying up that amount.

14. **ALTERATIONS**

14.1 **General rule on alterations**

Except as described in Rule 14.2 (*Shareholder approval*) and Rule 14.4 (*Alterations to disadvantage of Participants*), the Committee may at any time alter the Plan or the terms of any Award.

14.2 **Shareholder approval**

Except as described in Rule 14.3 (*Exceptions to shareholder approval*), no alteration to the advantage of an individual to whom an Award has been or may be granted shall be made under Rule 14.1 to the provisions concerning:

- (a) the individual limits on participation;
- (b) the overall limits on the issue of Shares or the transfer of treasury Shares; and

the terms of this Rule 14.2 without the prior approval by ordinary resolution of the members of the Company in general meeting.

In addition, the Company shall not have the authority to: (i) reduce the Option Price of any outstanding Options under the Plan, or (ii) cancel any outstanding Option that has an Option Price greater than the current Fair Market Value of the Shares in exchange for cash or other Awards under the Plan, unless the shareholders of the Company have approved such an action within twelve (12) months prior to such an event.

14.3 **Exceptions to shareholder approval**

Rule 14.2 (*Shareholder approval*) shall not apply to:

- (a) any minor alteration to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
- (b) any alteration relating to the Performance Condition made under Rule 14.5; or
- (c) for the avoidance of doubt, any alteration not named in Rule 14.2.

14.4 **Alterations to disadvantage of Participants**

No alteration to the material disadvantage of Participants (other than a change to any Performance Condition) shall be made under Rule 14.1 unless:

- (a) the Board shall have invited every relevant Participant to indicate whether or not he approves the alteration; and
- (b) the alteration is approved by a majority of those Participants who have given such an indication.

Notwithstanding the foregoing, the Board may amend the Plan so as to apply to existing Awards, or the terms of an Award, without such approval to: correct what they consider to be an error in the drafting of the Plan or the Award documentation which is evidently an error from the wording of the Plan or the Award documentation; clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A; or to comply with other applicable laws, regulations, ruling, judicial decision or listing requirements.

14.5 **Alterations to a Performance Condition**

The Committee may amend any Performance Condition without prior shareholder approval if:

- (a) an event has occurred which causes the Committee reasonably to consider that it would be appropriate to amend the Performance Condition; and
- (b) the Committee shall act fairly and reasonably in making the alteration.

15. **MISCELLANEOUS**

15.1 **Employment, office or consultancy**

The rights and obligations of any individual under the terms of his office or employment with any Group Member, or the contract pursuant to which he is a Consultant, shall not be affected by his participation in the Plan or any right which he may have to participate in it. An individual who participates in the Plan waives any and all rights to compensation or damages in consequence of the termination of his office, employment or consultancy for any reason whatsoever insofar as those rights arise or may arise from him ceasing to have rights under an Award as a result of such termination. Participation in the Plan shall not confer a right to continued employment, office or consultancy upon any individual who participates in it.

15.2 **No implied right to participate**

No Connected Person has a right to participate in the Plan. The grant of any Award does not imply that any further Award will be granted nor that a Participant has any right to receive any further Award. Participation in the Plan or the grant of Awards on a particular basis in any year does not create any right to or expectation of participation in the Plan or the grant of Awards on the same basis, or at all, in any future year.

15.3 **Disputes**

In the event of any dispute or disagreement as to the interpretation of the Plan, or as to any question or right arising from or relating to the Plan, the decision of the Committee shall be final and binding upon all persons.

15.4 **Exercise of powers and discretions**

The exercise of any power or discretion by the Committee shall not be open to question by any person and a Participant or former Participant shall have no rights in relation to the exercise of or omission to exercise any such power or discretion.

15.5 **Share rights**

All Shares allotted under the Plan shall rank equally in all respects with Shares then in issue except for any rights attaching to such Shares by reference to a record date before the date of the allotment.

Where Vested Shares are transferred to Participants (or their nominee) they shall be entitled to all rights attaching to such Shares by reference to a record date on or after the date of such transfer.

15.6 **Notices**

Any notice or other communication under or in connection with the Plan may be given:

- (a) by personal delivery or by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a Connected Person, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office, employment or other arrangement pursuant to which he is a Connected Person;
- (b) in an electronic communication to their usual business address or such other address for the time being notified for that purpose to the person giving the notice; or
- (c) by such other method as the Board determines.

15.7 **Third parties**

No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan.

15.8 **Benefits not pensionable**

Benefits provided under the Plan shall not be pensionable.

15.9 **Data Protection**

Each Participant consents to the collection, processing and transfer of his personal data for any purpose relating to the operation of the Plan. This includes:

- (a) providing personal data to any Group Member and any third party such as trustees of any employee benefit trust, administrators of the Plan, registrars, brokers and any of their respective agents;
- (b) processing of personal data by any such Group Member or third party;
- (c) transferring personal data to a country outside the European Economic Area (including a country which does not have data protection laws equivalent to those prevailing in the European Economic Area); and
- (d) providing personal data to potential purchasers of the Company, the Participant's employer or the business in which the Participant works.

15.10 Governing law

The Plan and all Awards shall be governed by and construed in accordance with the law of England and Wales and the Courts of England and Wales have exclusive jurisdiction to hear any dispute.

15.11 Section 409A

Although neither the Company, the Committee nor any Group Member guarantees any particular tax treatment to a US Participant, all Awards granted to US Taxpayers are intended to be exempt from, or compliant with, the application of Section 409A of the IRS Code:

- (a) in the case of Awards other than Regular Options, pursuant to the short-term deferral exception set forth Treas. Regs. §1.409A-1(b)(4); and
- (b) in the case of Regular Options, as options which are exempt from Section 409A;

and this Plan shall be limited, construed and administered consistent with that intent. Accordingly, notwithstanding any Rule in the Plan to the contrary, in the case of Awards granted to US Taxpayers:

- (c) in any instance in which a new Regular Option is substituted for an outstanding Option pursuant to a corporate transaction or in any instance in which an outstanding Regular Option is assumed pursuant to a corporate transaction, the number of Shares and the Option Price shall be adjusted in accordance with the principles set forth in Sections 1.424-1(a)(5) and 1.409A-1(b)(5)(v)(D) of the Treasury Regulations. The instances in which there may be a substitution of a new Regular Option for an outstanding Option pursuant to a corporate transaction shall be limited to those corporate transactions authorized by the Plan but shall be further limited to only those corporate transactions described in Section 1.424(a)(3) of the Treasury Regulations. In the case of a stock split (including a reverse stock split), or stock dividend involving the Shares where the only effect of the stock split or stock dividend is to increase or decrease on a pro rata basis the number of Shares owned by each shareholder, the Option Price and the number of Shares subject to an Option shall be proportionally adjusted to reflect such stock split or stock dividend;
- (d) The Shares underlying any Regular Option granted to a US Taxpayer shall in all instances constitute "service recipient stock" and shall be issued by a Group Member that is, with respect to such US Taxpayer, an "eligible issuer of service recipient stock" for purposes of IRS Code Section 409A;
- (e) To the extent that any amount payable under the Plan constitutes non-exempt "deferred compensation" for purposes of Section 409A and would otherwise be payable or distributable under the Plan by reason of the occurrence of a corporate transaction, such amount or benefit will not be payable or distributable to the Participant who is a US Taxpayer by reason of such corporate transaction unless the circumstances giving rise to such corporate transaction constitutes a "change in control event" in Section 409A of the IRS Code. If this provision prevents the payment or distribution of any amount, such payment or distribution shall be made on the next earliest payment or distribution date or event specified in the Plan that is permissible under Section 409A; and
- (f) If any amount or benefit that constitutes non-exempt "deferred compensation" for purposes of Section 409A would otherwise be payable or distributable under this Plan by reason of a Participant's separation from service during a period in which the Participant is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Committee under Treas. Reg. Section 1.409A -3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes), the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service. For purposes of this Plan, the term "Specified Employee" has the meaning given such term in Section 409A, provided, however, that, as permitted thereunder, the Company's Specified Employees and its application of the six-month delay rule of IRS Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Committee, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company applicable to US Taxpayers, including this Plan.

SCHEDULE 1

CASH CONDITIONAL AWARDS

The Rules of the GW Pharmaceuticals plc Long-Term Incentive Plan shall apply to a right (a "**Cash Conditional Award**") to receive a cash sum granted or to be granted under this Schedule as if it was a Conditional Award, except as set out in this Schedule. Where there is any conflict between the Rules and this Schedule, the terms of this Schedule shall prevail.

1. The Committee may grant or procure the grant of a Cash Conditional Award.
2. Each Cash Conditional Award shall relate to a given number of notional Shares.
3. On the Vesting of the Cash Conditional Award the holder of that Award shall be entitled to a cash sum which shall be equal to the "**Cash Value**" of the notional Vested Shares, where the Cash Value of a notional Share is the market value of a Share on the date of Vesting of the Cash Conditional Award. For the purposes of this Schedule, the market value of a Share on any day shall be determined in accordance with Rule 9.3 (*Cash equivalent*).
4. The cash sum payable under paragraph 3 above shall be paid by the employer of the Participant as soon as practicable after the Vesting of the Cash Conditional Award, net of any deductions (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable (and in relation to any Cash Conditional Award granted to a US Taxpayer, within such period of time as may be specified in the grant documentation to avoid adverse tax consequences under Section 409A).
5. For the avoidance of doubt, a Cash Conditional Award shall not confer any right on the holder of such an Award to receive Shares or any interest in Shares.

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17 April 2017

Our ref: 20456/13428626

Dear Sirs

Registration Statement on Form S-8**1. Background**

We have acted for GW Pharmaceuticals plc, a public limited company incorporated under the laws of England and Wales (the "**Company**"), as its legal advisers in England in connection with the registration statement on Form S-8 (the "**Registration Statement**") to be filed on or about 17 April 2017 by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "**Securities Act**"), and the rules and regulations promulgated thereunder (the "**Rules**"), relating to the registration of an aggregate of 15,000,000 ordinary shares of £0.001 each in the Company (the "**Shares**"). The Shares are issuable under the GW Pharmaceuticals plc 2017 Long-Term Incentive Plan (the "**Plan**").

We understand that the ordinary shares of £0.001 each in the capital of the Company are not, and are not intended to be, admitted to trading on any market or exchange, or otherwise listed, in the United Kingdom.

In connection with the Registration Statement, we have been asked to provide an opinion on certain matters, as set out below. We have taken instructions in relation to this opinion solely from the Company.

2. Examination and enquiries

- (a) For the purpose of giving this opinion, we have examined:
- (i) a copy of the Registration Statement; and
 - (ii) a certificate dated 13 April 2017 signed by the company secretary of the Company (the "**Officer's Certificate**") relating to certain factual matters and having annexed thereto copies (certified by the company secretary as being true, complete, accurate and up-to-date in each case) of the following documents:

This is a legal communication, not a financial communication. Neither this nor any other communication from this firm is intended to be, or should be construed as, an invitation or inducement (direct or indirect) to any person to engage in investment activity.

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- (A) the certificate of incorporation, the certificates of incorporation on change of name and the memorandum and articles of association of the Company;
 - (B) the rules of the Plan;
 - (C) minutes of a meeting of the board of directors of the Company held on 14 March 2017; and
 - (D) minutes of the annual general meeting of the shareholders of the Company held on 14 March 2017 (together with notice of annual general meeting dated 13 February 2017).
- (b) For the purpose of giving this opinion, we have:
- (i) on 12 April 2017 made, and on 13 April 2017 updated, an online search of the register kept by the Registrar of Companies in respect of the Company (the "**Company Search**"); and
 - (ii) made a telephone enquiry in respect of the Company of the Central Index of Winding Up Petitions on 13 April 2017 at 11:55 a.m. (BST) (the "**Telephone Search**", and together with the Company Search, the "**Searches**").
- (c) For the purposes of giving this opinion, we have only examined and relied on those documents and made those searches and enquiries set out in paragraphs 2(a) and (b) respectively. We have made no further enquiries concerning the Company or any other matter in connection with the giving of this opinion.
- (d) We have made no enquiry, and express no opinion, as to any matter of fact. As to matters of fact which are material to this opinion, we have relied entirely and without further enquiry on statements made in the documents listed in paragraph 2(a).

3. **Assumptions**

- (a) In giving this opinion we have assumed:
- (i) the genuineness of all signatures, seals and stamps;
 - (ii) that each of the individuals who signs as, or otherwise claims to be, an officer of the Company is the individual whom he or she claims to be and holds the office he or she claims to hold;
 - (iii) the authenticity and completeness of all documents submitted to us as originals;
-

- (iv) the conformity with the original documents of all documents reviewed by us as drafts, specimens, pro formas or copies and the authenticity and completeness of all such original documents;
 - (v) that each of the meetings referred to in paragraphs 2(a)(ii)(C) and (D) (*Examination and enquiries*) was duly convened, constituted and held in accordance with all applicable laws and regulations; that in particular, but without limitation, a duly qualified quorum of directors or, as the case may be, shareholders was present in each case throughout the meeting and voted in favour of the resolutions; and that, in the case of a board or committee meeting, each provision contained in the Companies Act 2006 or the articles of association of the Company relating to the declaration of directors' interests or the power of interested directors to vote and to count in the quorum was duly observed;
 - (vi) that in each case the minutes referred to in paragraphs 2(a)(ii)(C) and (D) (*Examination and enquiries*) are a true record of the proceedings of the relevant meeting and that each resolution recorded in those minutes has not been amended or rescinded and remains in full force and effect;
 - (vii) that the directors of the Company acted in accordance with ss171 to 174 Companies Act 2006 in approving the resolutions recorded in the minutes referred to in paragraph 2(a)(ii)(C) (*Examination and enquiries*); and that all actions to be carried out by the Company pursuant to those resolutions are in its commercial interests;
 - (viii) that no agreement, document or obligation to or by which the Company (or its assets) is a party or bound and no injunction or other court order against or affecting the Company would be breached or infringed by the matters contemplated by the Registration Statement;
 - (ix) that the information disclosed by the Searches is true, accurate, complete and up-to-date and that there is no information which, for any reason, should have been disclosed by those Searches but was not so disclosed;
 - (x) that the Company is and will at all relevant times remain in compliance with all applicable anti-corruption, anti-money laundering, anti-terrorism, sanctions, exchange controls and human rights laws and regulations of any applicable jurisdiction;
 - (xi) that all consents, licences, approvals, authorisations, notices, filings and registrations that are necessary under any applicable laws or regulations in order to permit the performance of the actions contemplated by the Registration Statement have been or will be duly made or obtained and are, or will be, in full force and effect;
 - (xii) that all grants of awards made under the Plan have been, or will be, validly made in accordance with the rules of the Plan;
 - (xiii) that no share is acquired as a consequence of a communication made in breach of s21(1) Financial Services and Markets Act 2000;
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- (xiv) that no application has been or will be made for any shares to be listed or admitted to trading on a regulated market situated or operating in the United Kingdom;
 - (xv) that on each date on which the Company allots and issues any Shares (each an "**Allotment Date**") the Company will have complied with its articles of association and all applicable laws relevant to the allotment and issue of those Shares;
 - (xvi) that as at each Allotment Date the documents examined, and the results of the searches and enquiries made, as set out in paragraph 2 (*Examination and enquiries*) would not be rendered untrue, inaccurate, incomplete or out-of-date by reference to subsequent facts, matters, circumstances or events;
 - (xvii) that as at each Allotment Date the Company will have received the aggregate consideration payable for the relevant Shares as "cash consideration" (as defined in s583(3) Companies Act 2006), such aggregate consideration being not less than the nominal value of those Shares;
 - (xviii) that the directors of the Company as at each Allotment Date will be duly authorised pursuant to the articles of association of the Company in force at the Allotment Date, the Companies Act 2006 and any relevant authority given by the members of the Company in general meeting to grant such awards and/or to allot and issue the relevant Shares, and that any pre-emption rights that would otherwise apply in relation to such allotment and issue will have been validly disapplied;
 - (xix) that the directors of the Company as at each Allotment Date will have validly resolved to allot and issue the relevant Shares; and
 - (xx) that there will be no fact or matter (such as bad faith, coercion, duress, undue influence or a mistake or misrepresentation before or at the time any agreement or instrument is entered into, a subsequent breach, release, waiver or variation of any right or provision, an entitlement to rectification or circumstances giving rise to an estoppel) which might affect the allotment and issue of any Shares and no additional document between any relevant parties which would or might affect this opinion and which was not revealed to us by the documents examined or the searches and enquiries made by us in connection with the giving of this opinion.
- (b) In relation to paragraph 3(a)(ix), it should be noted that this information may not be true, accurate, complete or up-to-date. In particular, but without limitation:
- (i) there may be matters which should have been registered but which have not been registered or there may be a delay between the registration of those matters and the relevant entries appearing on the register of the relevant party;
 - (ii) there is no requirement to register with the Registrar of Companies notice of a petition for the winding-up of, or application for an administration order in respect of, a company. Such a notice or notice of a winding-up or administration order having been made, a resolution having been passed for the winding-up of a company or a receiver, manager, administrative receiver, administrator or liquidator having been appointed may not be filed with the Registrar of Companies immediately and there may be a delay in any notice appearing on the register of the relevant party;
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- (iii) the results of the Telephone Search relate only to petitions for the compulsory winding up of, or applications for an administration order in respect of, the Company presented prior to the enquiry and entered on the records of the Central Index of Winding Up Petitions. The presentation of such a petition, or the making of such an application, may not have been notified to the Central Index or entered on its records immediately or, if presented to a County Court or Chancery District Registry, at all; and
- (iv) in each case, further information might have become available on the relevant register after the Searches were made.

4. **Opinion**

- (a) On the basis of the examination and enquiries referred to in paragraph 2 (*Examination and enquiries*) and the assumptions made in paragraph 3 (*Assumptions*), we are of the opinion that the Shares allotted and issued pursuant to the Plan will, when the Company has received the aggregate consideration payable for such Shares in accordance with the rules of the Plan and the names of the holders of such Shares are entered in the register of members of the Company, be validly issued, fully paid and no further amount may be called thereon.
- (b) This opinion is strictly limited to the matters expressly stated in this paragraph 4 and is not to be construed as extending by implication to any other matter.

5. **Law**

- (a) This opinion and any non-contractual obligations arising out of or in connection with this opinion shall be governed by, and construed in accordance with, English law.
 - (b) This opinion relates only to English law (being for these purposes, except to the extent we make specific reference to an English law "conflict of law" (private international law) rule or principle, English domestic law on the assumption that English domestic law applies to all relevant issues) as applied by the English courts as at today's date, including the laws of the European Union to the extent having the force of law in England.
 - (c) We do not undertake or accept any obligation to update this opinion to reflect subsequent changes in English law or factual matters.
 - (d) We express no opinion as to, and we have not investigated for the purposes of this opinion, the laws of any jurisdiction other than England. It is assumed that no foreign law which may apply to the matters contemplated by the Registration Statement, the Company, any document or any other matter contemplated by any document would or might affect this opinion.
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We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not admit that we are in the category of persons whose consent is required under section 7 of the Securities Act or the Rules.

Yours faithfully

/s/ Mayer Brown International LLP
Mayer Brown International LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in this Registration Statement on Form S-8 of our reports relating to the financial statements of GW Pharmaceuticals plc and the effectiveness of GW Pharmaceuticals plc's internal control over financial reporting dated December 5, 2016, appearing in the Annual Report on Form 20-F of GW Pharmaceuticals plc for the year ended September 30, 2016.

/s/ DELOITTE LLP

DELOITTE LLP

Reading, United Kingdom

April 14, 2017