

22 DECEMBER 2022

Agenda and Explanatory Notes of the Annual General Meeting of Shareholders

of

Pepco Group N.V.

on

2 February 2023 at 2 p.m. (CET)

Agenda and Explanatory Notes of the Annual General Meeting of Shareholders (the **AGM**) of Pepco Group N.V. (the **Company**) which will be held at 2 p.m. CET on 2 February 2023 via webcast on www.pepcogroup.eu.

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

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

Agenda

1. Opening
2. Annual report and Annual Financial Statements 2022
 - a. Report of the Board 2022
 - b. Advisory vote on the remuneration report 2022 (advisory item)
 - c. Adoption of the Annual Financial Statements 2022 (voting item)
 - d. Explanation of the dividend policy
3. Discharge of the members of the Board
 - a. Discharge of the executive members of the Board in respect of the performance of their duties during the financial year 2022 (voting item)
 - b. Discharge of the non-executive members of the Board in respect of the performance of their duties during the financial year 2022 (voting item)
4. Authorisations of the Board
 - a. Authorisation of the Board to have the Company acquire up to 10% of the ordinary shares in its own capital (voting item)
 - b. Authorisation of the Board to issue (rights to subscribe for) up to 10% ordinary shares in the Company's capital and to restrict or exclude related pre-emptive rights (voting item)
5. Appointment of new members of the Board
 - a. Appointment of Trevor Masters as an executive member of the Board (voting item)
 - b. Appointment of Neil Galloway as an executive member of the Board (voting item)
 - c. Appointment of Andy Bond as a non-executive member of the Board (voting item)
6. Amendment of the Remuneration Policy (voting item)

7. Amendment to the Value Creation Plan (voting item)
8. Re-appointment of the External Auditor for the financial year 2023 (voting item)
9. Any other business
10. Closing of the meeting

Explanatory Notes

Item 2 Annual Report and Annual Financial Statements 2022

Item 2a: Report of the Board for the financial year 2022

A presentation is given to the AGM on the performance of the Company in FY22.

Item 2b: Advisory vote on the FY22 remuneration report (advisory vote)

The remuneration report of the Company for the financial year 2022 which ended on 30 September 2022, is presented to the AGM for an advisory vote. The remuneration report can be found on pages 86 through 98 of the annual report, and reports on the implementation and execution of the remuneration policy for the Board for the financial year 2022.

Item 2c: Adoption of the Annual Financial Statements 2022 (voting item)

It is proposed to adopt the Company's financial statements for the financial year 2022. The financial statements can be found on pages 103 through 166 of the annual report.

Item 2d: Explanation of the dividend policy

The Company's dividend policy on additions to reserves and dividend is explained to the AGM.

In accordance with the dividend policy, the Board has added all profits to the reserves of the Company. No dividend distribution will be made related to financial year 2022.

Item 3 Discharge of the members of the Board

Item 3a: Discharge of the executive members of the Board in respect of the performance of their duties during the financial year 2022 (voting item)

Item 3b: Discharge the non-executive members of the Board in respect of the performance of their duties during the financial year 2022 (voting item)

It is proposed to release the current and former executive members and non-executive members of the Board from liability in relation to the performance of their duties during the financial year 2022 which ended on 30 September 2022 to the extent that such exercise is apparent from the financial statements over the financial year which ended on 30 September 2022 or otherwise disclosed to the general meeting of shareholders of the Company (the **General Meeting**) prior to the adoption of such financial statements.

Item 4 Authorisations of the Board

Item 4a. Authorisation of the Board to have the Company acquire up to 10% of the ordinary shares in its own capital (voting item)

It is proposed to the General Meeting that, with effect of the date of the AGM, the Board is authorised for a term of 18 months, to resolve on the acquisition by the Company of its own fully paid-up shares, up to a maximum of 10% of the issued share capital on the date of the AGM, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the ordinary shares and not higher than the opening market price of the ordinary shares on the Warsaw Stock Exchange on the day of the repurchase plus 10%.

The proposed authorisation will replace the authorisation granted to the Board on 27 January 2022.

Item 4b: Authorisation of the Board to issue (rights to subscribe for) up to 10% ordinary shares in the Company's capital and to restrict or exclude related pre-emptive rights (voting item)

It is proposed to the General Meeting, with effect of the date of the AGM, to designate the Board as the competent body to issue ordinary shares, or to grant rights to subscribe for ordinary shares, and to restrict or exclude pre-emptive rights of existing shareholders in relation to the issue of, or grant of rights to subscribe, for a maximum of 10% of the issued share capital on the date of the AGM and for a term of 18 months. This designation will allow the Board to be flexible and react quickly, if and when deemed appropriate, to circumstances that require the issuance of ordinary shares, without prior approval from the General Meeting. The designation can be used for any and all purposes, subject to statutory limitations.

The proposed authorisation will replace the general authorisation granted to the Board on 27 January 2022. However, this authorisation will not replace the authorisation granted to the Board to issue ordinary shares at any time during a period of five (5) years from 26 May 2021 to enable the Company to comply with its obligations to the participants in the VCP and EAP (each as defined in the Company's prospectus dated 5 May 2021), as further described under agenda item 7.

Item 5: Appointment of new members of the Board

Item 5a: Appointment of Trevor Masters as an executive member of the Board (voting item)

In accordance with article 14, section 3, of the articles of association of the Company (the **Articles of Association**), the Board has made a binding nomination to appoint Trevor Masters as an executive member of the Board. The nomination is based upon Mr Masters' significant international experience within the retail sector, exceptional leadership, and significant contribution to Pepco group's continuing success.

It is proposed that the General Meeting appoints Trevor Masters as an executive member of the Board in accordance with the nomination of the Board with effect from 2 February 2023, for a period of three years ending at the close of the annual general meeting of shareholders of the Company to be held in 2026. The proposed appointment will take effect immediately upon the adoption of the resolution during the AGM.

Trevor Masters (1963, British) joined the Pepco group in November 2019 as Managing Director of Pepco. On 5 January 2022, following the resignation of Andy Bond, he was appointed as interim Group CEO, and made permanent CEO on 22 April 2022. Following the resignation of Andy Bond, Chief Executive Officer (CEO), with effect from 31 March 2022, and Nick Wharton, Chief Financial Officer (CFO), with effect from 30 April 2022, the non-executive members of the Board were entrusted with

the management of the Company pursuant to article 19.1 of the Articles of Association. The non-executive members of the Board subsequently used their authority under such article 19.1 of the Articles of Association to temporarily entrust the management of the Company to Trevor Masters (as 'temporary Executive Director').

Mr Masters does not currently hold shares in the capital of the Company.

Mr Masters and Pepco Group Services Limited entered into a contract for services for his role as CEO and executive director. The content of the agreement is in accordance with the provisions of the applicable Dutch Corporate Governance Code. The agreed remuneration is in accordance with Pepco's remuneration policy as to be amended pursuant agenda item 6 below.

The main conditions are as follows:

- Fixed annual fee: £682,500 gross (exclusive of pension contribution)
- Variable remuneration: participation in the Company's VCP (as defined hereinafter) at a participation rate of 2.0%
- Pension: participation in a defined contribution pension scheme with 5% employee and 8% employer contributions or (if maxed out) 13% cash contribution based on annual base salary
- Company car, private medical insurance, group income protection insurance, and life assurance benefits
- Notice period: 6 months

Item 5b: Appointment of Neil Galloway as an executive member of the Board (voting item)

In accordance with article 14, section 3, of the Articles of Association, the Board has made a binding nomination to appoint Neil Galloway as an executive member of the Board. The nomination is based upon Mr Galloway's significant experience as a CFO of public companies, alongside his experience within multi-national corporations.

It is proposed that the General Meeting appoints Neil Galloway as an executive member of the Board in accordance with the nomination of the Board with effect from 1 April 2023 for a period of three years, ending by close of the annual general meeting of shareholders of the Company to be held in 2026.

Neil Galloway (1968, British) was Executive Vice-President at IWG plc, a leading provider of flexible workspace in 120 countries until deciding to join the Pepco Group. He is an experienced public company CFO who worked in senior finance and commercial roles at multi-nationals over the last 15 years, including in cross-border retail. Before IWG, Mr Galloway was Group Finance Director and an Executive Director from 2013 to 2019 at The Dairy Farm Group (now DFI Retail Group), the London and Singapore-listed international multi-format retailer that operates supermarkets, convenience stores, health and beauty stores, home furnishings stores and restaurants across 11 markets in Asia. During his tenure, Mr Galloway had responsibility for the group's franchise with IKEA.

Prior to this, Mr Galloway was CFO at The Hongkong & Shanghai Hotels, owner and operator of the Peninsula Hotels. He began his career in the investment banking sector, working on a wide range of transactions and holding senior positions at ABN AMRO and HSBC.

Mr Galloway does not currently hold shares in the capital of the Company.

Mr Galloway and the Pepco Group Services Limited entered into a contract for services for his role as CFO and executive director, which will be effective upon his appointment becoming effective. The

agreed remuneration is in accordance with the Company's remuneration policy as proposed for amendment under agenda item 6 below.

The main conditions are as follows:

- Fixed annual fee: £600,000 gross (exclusive of pension contribution)
- Variable remuneration: participation in the Company's VCP (as defined hereinafter) with effect from 1 April 2023 at a participation rate of 0.6% (subject to approval at this AGM)
- Pension: participation in a defined contribution pension scheme with 5% employee and 8% employer contributions or (if maxed out) 13% cash contribution based on annual base salary
- Nil cost options to the value of £900,000 to be held for a minimum of three years
- Car allowance, private medical insurance, group income protection insurance, and life assurance benefits
- Notice period: 6 months

Item 5c: Appointment of Andy Bond as non-executive member of the Board (voting item)

It is intended that Mr Richard Burrows will resign as chair and non-executive Board member with effect following the close of the AGM. In connection with such resignation and in accordance with article 14, section 3, of the Articles of Association, the Board has made a binding nomination to appoint Andy Bond as non-executive member of the Board. The nomination is based upon Andy's significant experience within the retail sector, including internationally, and his detailed knowledge of the Pepco Group.

It is proposed that the General Meeting appoints Andy Bond as a non-executive member of the Board in accordance with the nomination of the Board with effect from 2 February 2023 for a period of three years, ending by close of the annual general meeting of shareholders of the Company to be held in 2026. The proposed appointment will take effect following the close of the AGM.

Upon his appointment, the Board intends to appoint Mr Bond as chair of the Board.

Andy Bond, 1965, British, joined the Group as its Chief Executive Officer in 2015, having been involved with the Group on a consultancy basis since 2012. His career at Walmart, spanning 16 years, included having served as Chair of Asda for one year and its Chief Executive Officer for five years and as managing director of George Clothing.

Mr Bond is not independent within the meaning of the Dutch Corporate Governance Code and the Polish Corporate Governance Code.

Mr Bond holds 3,745,301 ordinary shares in the capital of the Company.

Mr Bond and Pepco entered into a contract for services effective upon his appointment becoming effective. The agreed remuneration is in accordance with Pepco's remuneration policy as proposed for amended under agenda item 6 below and conditional upon such amendment being approved.

The main conditions are as follows:

- Fixed annual fee: £400,000 gross
- Variable remuneration: participation in Pepco's VCP with effect from 2 February 2023 at a participation rate of 1%

Item 6: Amendment of the Remuneration Policy (voting item)

Following a recommendation of the remuneration committee of the Board, the non-executive members of the Board have decided to propose to amend selected items of the existing remuneration policy for the members of the Company (the **Remuneration Policy**) in accordance with article 14, paragraph 9, of the Articles of Association. This voting item seeks approval from the General Meeting to amend the Remuneration Policy in the form attached as Appendix A to this Notice.

The existing Remuneration Policy was approved on 20 May 2021, prior to the Company's listing on the Warsaw Stock Exchange. The amendments to the Remuneration Policy have been proposed to further promote the long-term success of the Company and in order to align the Remuneration Policy with the Company's strategy.

The key changes to the Remuneration Policy include:

- extending the VCP by two years and re-basing the annual valuation hurdle against which the VCP is measured;
- adding in clarity over the performance metrics to be used in the Company's Long Term Incentive Plan;
- increasing the annual bonus plan maximum for the executive members of the Board to 150% of their base salary to better align to market;
- allowing the non-executive chair of the Board to participate in the VCP and other incentive plans; and
- providing for the periodic review of the fee levels of non-executive members of the Board, including an increase for the 2023 financial year of 5%.

Pursuant to article 14, paragraph 9, of the Articles of Association, a resolution of the General Meeting to amend the Remuneration Policy shall be adopted with a simple majority.

Item 7: Amendment to the Value Creation Plan (voting item)

The Company has a Value Creation Plan (the **VCP**) in place which has been designed to incentivise the Company's senior management to deliver exceptional returns for shareholders over the five-year period till 30 September 2024. Under the VCP, participants can receive (in the form of conditional awards capable of converting into options on ordinary shares in the capital of the Company) a proportion of the returns delivered for the Company's shareholders above a certain threshold rate. Pursuant to the existing terms of the VCP, grants to eligible new participants (as approved by the Board) are permitted provided that currently the VCP does not allow any grants to non-executive Board members. The terms and conditions of the VCP have been described in the Company's prospectus dated 5 May 2021, in particular paragraphs 12.9 and further.

However, growth in the business has been delayed and the current market valuation multiples are below where we expected them to be at this stage in our development for reasons outside the control of the management team. With a new CEO and CFO, and the development of a new strategy following a recommendation of the remuneration committee of the Board, Board has decided to propose to amend the VCP to ensure that it is fit for purpose. This voting item seeks approval from the General Meeting to amend the VCP in four key respects:

- (i) extending the VCP by a further two years;
- (ii) re-basing the annual valuation hurdle against which the VCP is measured;

- (iii) introducing a series of caps to the amounts that can be granted in total in relation to any year and that participants individually can earn from the VCP in any year; and
- (iv) permitting the Chairman of the Board to be eligible to participate in the VCP at the discretion of the Board.

These amended terms will only apply to new awards. The key terms remain the same as previously, save for these changes.

Where participants have already received awards under the VCP or Nil Cost Options under the original rules of the plan, these will continue to operate under the original rules. Subject to participant approval (where participant rights have already been granted), any new Nil Cost Options will be governed by these amended terms.

Further details of the amended rules are contained in Appendix B to these Agenda and Explanatory Notes.

Other than such proposed amendments, no amendments to the VCP are proposed.

On or about the date of the aforementioned prospectus of the Company, the General Meeting adopted a resolution pursuant to which the Board was designated as the corporate body authorised to resolve to issue ordinary shares in the capital of the Company, to grant rights to subscribe for or purchase such shares and to restrict and/or exclude statutory pre-emptive rights of shareholders of the Company in relation to the issuances of such shares or the granting of rights to subscribe for or purchase such shares for a period of 5 years from 26 May 2021 to enable the Company to comply with its obligation to grant options and issue shares to participants in the VCP. Such designation of the Board is limited to up to 10% of the total number of shares issued and outstanding from time to time following 26 May 2021. In the event that this agenda item is approved by the General Meeting, the existing designation also covers all of the aforementioned authorities of the Board to comply with the Company's obligation in the VCP to grant options and issue shares to participants who are non-executive Board members.

Item 8: Re-appointment of the External Auditor for the financial year 2023 (voting item)

This voting item seeks approval from the General Meeting to re-appoint Mazars Accountants N.V. as the Company's external auditor for the 2023 financial year, following a recommendation of the audit committee of the Board.

The proposal to reappoint Mazars Accountants N.V. is based on the audit committee's assessment of Mazars Accountants N.V., among others through discussions with Mazars Accountants N.V. in the absence of the executive directors, as well as the outcome of an evaluation among company executives. The outcome of such assessment was positive.

Appendix A: Directors' Remuneration Policy

Introduction

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

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

- providing remuneration opportunities that are intended to attract and retain qualified Executive Directors;
- including performance measures and targets that are aligned with the business strategy;
- enabling the Remuneration Committee to recover payments made in circumstances that did not warrant the payment;
- balancing the levels of fixed and variable pay in a manner suitable to the Company's circumstances;
- delivering the long-term incentive element in shares and requiring demanding levels of shareholding to be built and maintained by Executive Directors; and
- being satisfactorily tested against the following six factors:
 - Clarity – the Policy will be as clear as possible and the implementation will be described in straightforward concise terms to stakeholders, including shareholders and the workforce, annually in the Remuneration report.
 - Simplicity – remuneration structures are as simple as possible and market typical, whilst at the same time incorporating the necessary structural features to ensure a strong alignment to performance and strategy and minimising the risk of rewarding failure.
 - Risk – the Policy has been shaped to discourage inappropriate risk taking and enhance sustainability through a weighting of incentive pay towards long-term incentives, a balance between financial and non-financial measures in the annual bonus, and a minimum five-year period between the grant of any long-term incentives and the date Executive Directors are freely able to dispose of their shares.
 - Predictability – elements of the Policy are subject to caps and dilution limits. The Remuneration Committee may exercise its discretion to adjust the outturn if a formula-driven incentive payout is inappropriate in the circumstances. However, all payments made to Directors will be made in line with the Policy in force at the time, unless it is necessary to deviate from applying the Policy to ensure the long-term interests and stability of the Company or for its profitability, in which case the Company may temporarily deviate from applying the Policy in relation to the relevant individual. In all other cases specific shareholder approval will be sought prior to any payments or awards being made outside of the Policy.

- Proportionality – there will be a sensible balance between fixed pay and variable pay and incentive pay will be weighted to sustainable long-term performance. Incentive plans will be subject to performance conditions that consider both financial and non-financial performance linked to strategy and long-term value creation and stability. Outcomes will not reward poor performance.
- Alignment to culture and values – the Remuneration Committee considers Company culture and wider workforce policies and pay levels when shaping and developing executive remuneration policies to ensure there is coherence across the organisation whilst avoiding discrimination. There is an emphasis on fairness of remuneration outcomes across the workforce and in the context of wider society. The discretions afforded to the Remuneration Committee enable it to amend the formulaic outcomes from incentives or Executive Directors in several circumstances and they will enable it to take these issues into account.

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

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

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

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

Internal pay ratios

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

Remuneration components for the Executive Directors

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

Base salary

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

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

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

Pension and benefits

The previous Executive Directors received a consolidated salary payment that includes a cash alternative for certain benefits, including pension benefit at rates consistent with the wider applicable

workforce. Trevor Masters and Neil Galloway will receive a separate pension entitlement either in the form of participation in a defined contribution pension scheme with 5% employee and 8% employer contribution or cash in lieu of pension at a rate of 13% of base salary, consistent with that of the wider workforce. Any changes in the workforce pension arrangements may be reflected in Executive Director remuneration. In addition, the Executive Directors received benefits which included family private health cover, life assurance cover and car allowance. Executive Directors will be eligible for the same benefits offered to the general workforce.

Variable remuneration

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

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

Annual bonus plan

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

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

Bonus payouts will be determined on the satisfaction of a range of key financial and personal/strategic objectives set annually by the Remuneration Committee. No more than 20% of the overall bonus opportunity can be payable by reference to performance against personal and strategic targets.

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

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

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

Long-term incentive plans

The Group implemented and has made grants under an equity plan called the Value Creation Plan (VCP) to the Executive Directors and selected senior executives and under the Equity Award Plan (EAP) to the previous CFO. Under the VCP, participation rights have been granted to participants which will convert into nil-cost options over the Company's shares to the extent the required hurdles are reached over each of the financial years up to and including 2026.

Under the EAP nil-cost options have been granted which will, if the associated performance target has been met, enable the award holder to acquire for nil payment shares in the Company. No new grants will be made under the EAP.

Under the LTIP, awards will not be made to the current Executive Directors until 1 April 2024 at the earliest. Any awards made under the LTIP will be linked to the Company's long-term business and financial goals and the period between allocation and the ability to receive shares will be no less than three years.

The likely performance metrics to be used will be a combination of adjusted earnings per share, shareholder value and an ESG metric.

Operation of the VCP

The Value Creation Plan (VCP) is a share plan that was offered to select senior members of staff with the intention of incentivising the successful delivery of the Group's strategic and financial objectives with a goal of promoting a sustained growth strategy for the Group. The VCP gives the participants a participation right in the plan which is then converted to a nil-cost option over shares in the Company to the extent the relevant performance hurdles are achieved.

The VCP rewards performance over the five-year period, 1 October 2019 until 30 September 2024. For current participants (that are still employed by the Group) and new participants, the plan will be extended for a further two years to 30 September 2026 and the base year valuation for 1 October 2022 will be reset using the share price from mid-November to mid-December 2022.

Offset of existing awards

Where participants have received founder shares or participated in the Pepco LTIP (a cash plan operated at subsidiary company level for a limited number of senior executives in that business) previously, the amount that may pay out under the VCP will be reduced to offset the value received under those plans. The participation of Andy Bond in the VCP following his appointment as Chair of the Board will not be subject to offset against his founder shares.

How does it operate?

Participants share in a set percentage of growth above a fixed hurdle of a 10% pa increase in value of the shares from 1 October 2019 (or 1 October 2022 if approved by shareholders at the 2023 AGM). Each participant has been allocated their own share of the upside above the hurdle out of the total pool of 6.90% (reduced to 6.5% if shareholders approve the changes at the 2023 AGM). The previous CEO is in receipt of 2.5% and the previous CFO of 0.6%. The current CEO has been awarded an allocation of 0.85% which will increase to 2.0% during the financial year ending 30 September 2023. The new Group CFO will receive an allocation of 0.6% and, if approved by shareholders, the new Chair of the Board will receive an allocation of 1.0%. His existing nil cost options that were granted whilst he was in the role of CEO will then lapse. When the VCP value is calculated participants receive their share in the value of the whole Company.

The value created above the hurdle is measured annually and "banked" as nil-cost option grants for the initial five-year period (extended by two years if approved at the 2023 AGM). However, payouts can occur over a period of up to nine years where there has been exceptional performance.

To the extent the hurdles are achieved at the end of year three any award of nil-cost options will vest based on their original terms (as disclosed last year); i.e. they will vest as follows:

- at the end of year three, 50% of the banked awards of nil-cost options from years one, two and three will vest (Tranche one);
- at the end of year four, 50% of the unvested awards of nil-cost options from years one to three will vest (Tranche two);
- all remaining parts of the awards of nil-cost options from years one to three will vest at the end of year five (Tranche three);

- to the extent the hurdle at year five is not met, any unvested awards of nil-cost options will lapse but the vested awards are retained.

To the extent the hurdles are achieved at the end of year 5, 6, and 7 any award of nil cost options will vest according to the amended rules, as follows:

- At the end of year 5, 50% of the unvested awards of nil cost options from year 4 will vest (Tranche 4);
- At the end of year 6, 50% of the unvested awards of nil cost options from years 4 and 5 will vest (Tranche 5);
- All remaining parts of the award of nil cost options will vest at the end of year 7 (Tranche 6);
- To the extent that the hurdle in year 7 is not met, any unvested awards of nil cost options will lapse, however the vested awards are retained;
- Nil cost options granted in relation to years 4 and 5, even though vested, will not be able to be exercised until 1 October 2025 at the earliest.

In relation to the measurement date in January 2023, the hurdle will have increased since the start of the VCP on 1 October 2019 (€4.0bn) by 10% pa to €5.324bn. Any additional value created above the €5.324bn hurdle is to be shared with all of those in the VCP, including the current CEO and previous CEO based on their participation percentages, with the participation of the previous CEO being pro-rated to reflect his time in the role. The value of shares (TSR) is measured post the announcement of financial results (mid-January) using the 30-day average market capitalisation. This hurdle each year is the higher of: (i) 10% pa above the initial €4.0bn value; and (ii) all the previous year's actual 30-day average value.

The 2022 option allocation for VCP participants who are currently employed within the Group will also be underpinned against budgeted EBITDA targets for 2023 and 2024. Should these targets be met, the option will vest. However, if the option vests as per the original plan, this underpin will fall away.

If shareholders so approve at the 2023 AGM, then for the January 2024 measurement date, the starting valuation will be reset to the Company's value in the 30 days preceding the results announcement in December 2022 ("the December 2022 Value"), with the 10% pa hurdle applying from this date. Any additional value created above the December 2022 Value indexed up by 10% is then shared with all those in the VCP and still employed, based on their participation percentages. This basis will be used to calculate nil-cost options to be granted for years 4, 5, 6 and 7. An overall earnings cap will be applied of €52m per annum for the VCP, irrespective of the additional value generated. If this cap is met, the value will be pro-rated using the 6.5% plan total, irrespective of whether the full 6.5% has been allocated or not. Any value created above the cap will be capable of being earned in future years as the "high water mark" of valuation will equal the value at which the cap is applied. In addition, if any nil-cost options are granted in years 4, 5 and 6 then there will be a one year delay before the hurdle test described above will apply to these nil-cost options. The final hurdle test will then apply for year 7 (financial year ended 30 September 2026).

Malus and clawback

Malus and clawback provisions apply to the awards.

Annual cap

Vesting is also subject to an annual cap of €14m for Andy Bond (designate chair), €20m for Trevor Masters (current CEO) and a maximum cap of €10m for any other Executive Director. Any nil cost options that have met the hurdle tests but not have not vested by the end of the 9th year (i.e. 30 September 2028) due to the application of an annual cap will vest irrespective of the application of the cap.

Recovery and withholding provisions

In accordance with the Dutch Civil Code, the Non-Executive Directors will be entitled, on behalf of the Company, to recover variable payments paid to Directors, in full or in part, to the extent that payment thereof has been made based on incorrect information about the realisation of the underlying goals or about the circumstances from which the entitlement to the bonus arose. Furthermore, the Non-Executive Directors may adjust the outcome of variable remuneration to an appropriate level if payment of the variable remuneration is unacceptable according to the requirement of reasonableness and fairness. Any application of clawback or discretion will be disclosed and explained in the relevant company's Annual remuneration report.

The recovery and withholding provisions applying to any new LTIP will be considered before implementation to ensure compliance with law and relevant market practice at the time.

Shareholding requirements

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

Recruitment policy

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

Termination of employment policy

Executive Directors have a service contract requiring six months' notice of termination from either party. The Company may, at its sole discretion, terminate the contract immediately, at any time after notice is served, by making a payment in lieu of notice equivalent to salary, benefits and pension, with any such payments normally being paid in monthly instalments over the remaining notice period. Payments would be reduced to offset earnings from other employment.

In addition, and consistent with market practice, the Company may pay a contribution towards the Executive Director's legal fees for entering into a statutory agreement, may pay a contribution towards fees for outplacement services as part of a negotiated settlement, or may make a payment to compromise claims the Executive Director may have. There is currently no provision for additional remuneration on termination following a change of control. Payment may also be made in respect of accrued benefits, including untaken holiday.

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

All-employee share plans

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

Discretions retained by the Remuneration Committee

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

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

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

Statement of conditions elsewhere in the Company

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

Consideration of shareholder views

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

Non-Executive Directors

The Chair of the Board and independent Non-Executive Directors have letters of appointment with an initial three-year term. The Chair of the Board receives an all-inclusive fee of £400,000 gross. Independent Non-Executive Directors are paid a base fee of £60,000 gross and the following additional fees for acting as Chair of Board Committees:

- Audit Committee: £15,000 gross per annum; and
- Remuneration Committee: £15,000 gross per annum.
- The Chair of the Nomination Committee will not receive additional cash compensation.

Subject to shareholder approval at the 2023 AGM, the fees for the independent Non-Executive Directors and the Chairs of the Remuneration Committee and Audit Committee will be increased by 5% with effect from 1 October 2022. In subsequent years the fees for the Chair of the Board, independent Non-Executive Directors and Chairs of Board Committees will be subject to annual review providing for increases normally up to the increase for the workforce but with the Board retaining the discretion to increase fees above this rate where appropriate (for example a material change to the scope of the role), or where the fee is materially out of line with market levels.

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

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

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

The proportion of fixed and variable remuneration

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

Variable pay is split between the annual bonus and long-term incentives, with 0% being subject to longer-term performance measures in 2022. On a target basis, we would not consider the VCP to have inherent value at target and it has therefore been excluded as this is the first year the VCP has created any value for the Executive Directors as performance against the hurdles has now been determined.

Appendix B: Summary of the VCP incorporating amendments

The VCP is designed to incentivise the Company's management to deliver exceptional returns for shareholders over a specified period (5 years to 30 September 2024 for existing awards, or 7 years to 30 September 2026), (the "Performance Period"). Under the amended terms of the VCP, participants will continue to receive (in the form of Shares) a proportion of the returns delivered for the Company's shareholders above a threshold rate (the "Threshold Total Shareholder Return").

Eligibility

All employees (including an Executive Director) of the Company or any of its subsidiaries and the Chairman of the Company are eligible for selection to participate at the discretion of the Board. In practice, participation in the VCP has been focused on the Company's most senior leaders who are most able to impact the Company's shareholder returns. Participation in the VCP is supervised by the Remuneration Committee.

Participant Rate Percentage

Under the VCP, the Board (or, following consultation with the Board, the trustees of an employee benefit trust established by the Company) may grant an eligible individual a right to receive a predetermined proportion of the Company's total shareholder return above the Threshold Total Shareholder Return (a "VCP Award"). For all VCP participants, the Threshold Total Shareholder Return is the higher of: (a) 10% compound annual growth rate; and (b) the previous highest share price at the point of measurement. The proportion to which the participant is entitled (the "Participant Rate Percentage") is set at the time the VCP Award is granted.

VCP Awards may be granted during the 42 days beginning on: (a) the day after the announcement of the Company's results for any period; (b) the day the Board determines that exceptional circumstances exist which justify the grant of a VCP award; or (c) if the Company is subject to dealing restrictions preventing the grant of VCP Awards under items (a) and (b), the day those restrictions are lifted. No VCP Awards may be granted after 3 March 2027, being the seventh anniversary of the date that the VCP was adopted.

At the time the VCP Award is granted (the "Conditional Award Date"), the Board will set the dates by reference to which the value of the VCP Award will be measured for each financial year in the Performance Period (the "Measurement Date"), which will normally be the date 30 days following the announcement of the Company's results for the relevant Measurement Date (the "Measurement Price").

Conversion of VCP Awards

Following the end of each Measurement Date, the VCP Award will convert into a nil cost option (a "Nil Cost Option") over a number of Shares calculated in accordance with the following steps:

- (i) Calculate the Measurement Price for that Measurement Date plus the value of the dividends paid on that Share since the Conditional Award Date (the Measurement Total Shareholder Return) (the VCP Award will only convert if the Measurement Total Shareholder Return exceeds the Threshold Total Shareholder Return for the relevant Measurement Date);
- (ii) Deduct the Threshold Total Shareholder Return;
- (iii) Multiply the result of step two by the Participant Rate Percentage;

- (iv) Multiply the result of step three by the number of Shares in issue on the relevant Measurement Date (the Participant Benefit); and
- (v) Determine the number of Shares awarded by dividing the Participant Benefit by the Measurement Price.

In relation to any Nil Cost Options granted following the 2023 AGM, the Threshold Total Shareholder Return will be calculated by reference to the 30 days prior to the announcement of the Company's results for the 30 September 2022 financial year.

However, in relation to the Fourth and any subsequent Measurement Dates, the Measurement Price for any Measurement Date will be capped at the price at which the full potential Participation Rights Percentage of 6.5% would result in the potential grant of Nil Cost Options equal to €52million. Value on any date is the number of Shares related to the Options multiplied by the Measurement Price on that date. This limits the value of grants of Nil Cost Options that can be made in relation to any year.

Form of VCP Awards

On Conversion, the Board shall deliver VCP Awards as Nil Cost Options. No Nil Cost Options may be granted when prevented by any dealing restrictions or after 12 months from the end of the seventh financial year over which the VCP operates (subject to extension where dealing restrictions prevented the grant of Nil Cost Options for that financial year).

Personal Annual Cap

The terms of the VCP Awards may include a limit on the value of the Shares in respect of which Nil Cost Options may vest on a given vesting date (the "Personal Annual Cap"). Where the vesting of a Nil Cost Option is restricted by the Personal Annual Cap, the excess portion of the Nil Cost Option (the "Deferred Nil Cost Option") will be rolled forward to vest on the next vesting date. On a subsequent vesting date, the aggregate value of the Nil Cost Options vesting on that date in the normal course and any Deferred Nil Cost Options may not exceed the Personal Annual Cap (or the excess portion of the Deferred Nil Cost Options will again be rolled forward to the next vesting date). On the seventh vesting date, the Personal Annual Cap shall no longer apply, and any outstanding Deferred Nil Cost Options will vest in full on the vesting date. Value on any date is the number of Shares related to the Options multiplied by the Measurement Price on that date.

Vesting and exercise of Nil Cost Options

Nil Cost Options (excluding Deferred Nil Cost Options) granted before the fourth Measurement Date will normally vest in three tranches:

- (i) At the end of the third Measurement Date in the Performance Period, 50% of the unvested Nil Cost Options accrued up to that point will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the third Measurement Date is less than the Compounded Initial Price at the Measurement Date for the third Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse. Compounded Initial Price means the Initial Price multiplied by $(1.10)^n$, where n is the number of Financial Years which have occurred since the start of the Financial Year 2019/20, plus the number of days from the start of the Financial Year in which the relevant Measurement Date falls to the relevant Measurement Date divided by the number of days in that Financial Year. For the avoidance of doubt the Compound Initial Price is calculated in a straight line over each time period.

(ii) At the end of the fourth Measurement Date in the Performance Period, 50% of the unvested Nil Cost Options accrued up to that point will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the fourth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the fourth Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse.

(iii) At the end of the fifth Measurement Date in the Performance Period, the remainder of any unvested Nil Cost Options will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the fifth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the fifth Measurement Date, unvested Nil Cost Options will lapse.

Nil Cost Options (excluding Deferred Nil Cost Options) granted after the fourth, fifth, sixth and seventh Measurement Dates will normally vest in three tranches:

(i) At the end of the fifth Measurement Date in the Performance Period, 50% of any unvested Nil Cost Options granted before the fifth Measurement Date will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the fifth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the fifth Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse. Compounded Initial Price means the Initial Price multiplied by $(1.10)^n$, where n is the number of Financial Years which have occurred since the start of the Financial Year 2022/23, plus the number of days from the start of the Financial Year in which the relevant Measurement Date falls to the relevant Measurement Date divided by the number of days in that Financial Year.

(ii) At the end of the sixth Measurement Date in the Performance Period, 50% of any unvested Nil Cost Options granted before the sixth Measurement Date will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the sixth Measurement Date is less than the Compounded Initial Price at the Measurement Date for the sixth Measurement Date, the Nil Cost Options will not vest as set out above at this time but will not lapse.

(iii) At or shortly following the end of the seventh Measurement Date in the Performance Period, the remainder of any unvested Nil Cost Options will normally vest, subject to the Personal Annual Cap. However, if the Measurement Total Shareholder Return at the end of the seventh Measurement Date is less than the Compounded Initial Price at the Measurement Date for the seventh Measurement Date, unvested Nil Cost Options will lapse.

Any vesting of a Nil Cost Option described above is subject to the discretion of the Board to vary the level of vesting, where it considers that the formulaic vesting would not be a fair and accurate reflection of business performance, the Participant's personal performance or such other factors as the Board may consider appropriate.

Deferred Nil Cost Options are capable of vesting at the end of the Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth and Ninth Measurement Dates, including in the event that the Measurement Total Shareholder Return is less than the Compounded Initial Price.

Holding Period

The Board may determine that Nil Cost Options are also subject to a post-vesting holding period, during which the participant cannot sell the underlying Shares. Nil Cost Options granted after the fourth and fifth Measurement Dates even once vested will not be capable of being exercised until 1 October 2025.

Nil Cost Options may normally be exercised during the period from vesting until the twelfth anniversary of the grant date of the related VCP Award.

Plan limits

The aggregate of all of the Participation Rate Percentages that can be held by Participants is 6.5%.

The total number of Shares over which Nil Cost Options may be granted under the VCP may not exceed 4% of the Company's issued ordinary share capital from time to time (whether these Shares are issued, re-issued from treasury, or purchased in the market).

In addition, in any period of 10 years, not more than 10% of the Company's issued ordinary share capital may be issued under Nil Cost Options under the VCP or under any other employees' share scheme adopted by the Group in the preceding ten year period. In the same period, no more than 5% of the Company's issued ordinary share capital may be issued under the VCP and any other discretionary employees' share scheme adopted by the Group in the preceding ten year period. Treasury shares will count towards these limits for so long as this is required under institutional shareholder guidelines. Shares subject to VCP Awards which have lapsed or been renounced will not count towards the 5% and 10% limits set out above.

Malus and clawback

Under the rules of the VCP, the Board may, in its absolute discretion, invoke malus and/or clawback provisions in respect of a VCP Award or Nil Cost Option in the following circumstances:

- (i) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Company or any Group Company;
- (ii) the assessment of any performance target or condition in respect of a VCP Award or Nil Cost Option was based on error, or inaccurate or misleading information;
- (iii) the discovery that any information used to determine the number of Shares subject to a Nil Cost Option was based on error, or inaccurate or misleading information;
- (iv) action or conduct of a participant which amounts to fraud or gross misconduct;
- (v) events or the behaviour of a participant have led to the censure of a Group Company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant;
- (vi) material failure of risk management; or
- (vii) a Group Company or the business of the Group becomes insolvent or otherwise suffers a corporate failure so that the value of Shares is materially reduced provided that the Board determines that the participant should be held responsible for that insolvency or corporate failure.

Malus will operate at any time up to the point of conversion of a VCP Award or vesting of a Nil Cost Option.

Clawback will apply for 2 years following the vesting of a Nil Cost Option.

Under these provisions, the Board may:

- (i) reduce in whole or in part the number of Shares subject to a Nil Cost Option;

(ii) impose additional conditions on any VCP Award or Nil Cost Option; or

(iii) transfer all or some of the Shares acquired by the participant, or an amount equivalent to the value of the Shares to the Company (or any other person specified by the Company).

Cessation of employment

Except in certain circumstances set out below, if a participant ceases to hold office or employment with a member of the Group, he will lose his entitlement to any VCP Award and unvested Nil Cost Options (other than Deferred Nil Cost Options) he holds on the date of cessation.

However, if a participant ceases to hold office or employment because of his death, injury, ill health, disability, redundancy, retirement with the agreement of his or her employer, the sale of the participant's employing company or business out of the Group or in other circumstances at the discretion of the Board (a "Good Leaver Reason"):

(i) the Board may allow the VCP Award to continue until the Measurement Date following his cessation of office or employment; and

(ii) any unvested Nil Cost Option may, at the Board's discretion, continue to vest on the date when it would have vested as if he had not ceased office or employment.

Where a participant ceases to hold office or employment for a Good Leaver Reason, the number of Shares over which a Nil Cost Option may be granted in respect of the Measurement Date in which cessation of office or employment occurs, may, at the Board's discretion, be pro-rated to reflect the period between the start of the Measurement Date and the date of cessation of office or employment.

If a participant dies or he ceases to hold office or employment because of the sale of his employing company or business out of the Group, the Board may determine that any unvested Nil Cost Options which have not been designated as Deferred Nil Cost Options will vest at on the normal vesting dates. If a participant ceases for any reason to hold office or employment holding Deferred Nil Cost Options, those Deferred Nil Cost Options will vest as if he had not ceased office or employment.

If a participant ceases to hold office or employment holding Nil Cost Options subject to a holding period, those Nil Cost Options will normally be released from their holding period at the originally set time, except in the case of death when the holding period may end earlier.

Nil Cost Options may (to the extent vested) be exercised following the participant's cessation of office or employment during a period determined by the Board.

Takeover and corporate events

In the event of a change of control, scheme of arrangement or winding up of the Company:

(i) the Board will determine the value of any outstanding VCP Award using as the share price for the purpose of calculating the Measurement Total Shareholder Return (a) the value of the offer consideration per Share in connection with the change of control or sale; (b) the value of the Company based on the proceeds of the asset sale; or (c) in the case of a winding up, the proceeds per Share on the winding up;

(ii) any unvested Nil Cost Options will vest;

(iii) any vested Nil Cost Options may be exercised within a set period of time; and

(iv) Nil Cost Options subject to a Holding Period will be released from their Holding Period from the date of vesting.

Alternatively, the Board may decide that any outstanding VCP Awards and Nil Cost Options will be exchanged for equivalent awards agreed with the acquiring company.

If other corporate events occur such as a demerger, special dividend or other event determined by the Board, the Board may (but is not obliged to) determine that:

(i) VCP Awards will convert on such basis as it may determine, using the date of such event as the final Measurement Date; and

(ii) Nil Cost Options will vest (and be released from any Holding Periods) on the same basis as for a change of control.

Dividend equivalents

Under the VCP, awards may entitle the holder to receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under that award by reference to the period between the time when the relevant award was granted and the time when the relevant award vested. This amount may assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

Amendments

Subject to the specific circumstances below, the Board may, at any time, amend the provisions of the VCP in any respect.

The prior approval of the Company's shareholders must be obtained in the case of any amendment to the advantage of current or future participants which is made to the provisions relating to eligibility, limits on the number of shares over which a VCP Award can be made, the basis for determining entitlement, the adjustments that may be made in the event of any variation to the share capital of the Company and/or the rule relating to this prior approval requirement.

There are however exceptions from this requirement to obtain shareholder approval for any minor amendment to benefit the administration of the VCP, or which is necessary or desirable to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or member of the Group.

Amendments may not normally adversely affect the rights of participants except where participants are notified of such amendment and the majority of participants affected by the amendment approve such amendment.

Non-transferability

VCP Awards and Nil Cost Options are not transferable other than to the participant's personal representatives in the event of his or her death or where exceptionally the Board has permitted the VCP Award to be held by a trustee on behalf of the participant. VCP Awards and Nil Cost Options will also lapse on the participant's bankruptcy, unless the Board determines otherwise.

Variation of capital

If there is a variation of share capital of the Company or in the event of a demerger, special dividend or other event determined by the Board, the Board may make such adjustments as it may determine to:

(i) The weighted average price of all Shares at 1 October 2019 as specified by the Board by reference to an equity valuation of the Pepco Group of €4 billion, the Initial Price in relation to any Nil Cost Options granted following the 2023 AGM, Threshold Total Shareholder Return, the Participant Rate Percentage or the description of the Shares that may be acquired in satisfaction of the VCP Award; and

(ii) the number or description of Shares subject to Nil Cost Options.

Rights attaching to Shares

Any Shares allotted or transferred in connection with the VCP will normally rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue or transfer).

Benefits not pensionable

The benefits received under the VCP are not pensionable.