



the **Local Shopping** reit plc

Notice of Annual General Meeting

The Local Shopping REIT plc (the “Company”)

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the “Meeting”) of the Company will be held at the offices of the Company, c/o Internos Global Investors, 2nd Floor, 65 Grosvenor Street, London W1K 3JH, on Thursday 2 March 2017 at 11.00am, for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as to resolutions 1 to 8 and 11 as ordinary resolutions and as to resolutions 9, 10 and 12 as special resolutions.

Ordinary Business

- 1 To receive and adopt the report of the directors and the financial statements of the Company for the financial year ended 30 September 2016, together with the report of the Auditor.
- 2 To approve the Remuneration Policy, contained in the Remuneration Report section of the report of the directors and the financial statements for the financial year ended 30 September 2016.
- 3 To approve the Remuneration Implementation Report, contained in the Remuneration Report section of the report of the directors and the financial statements for the year ended 30 September 2016.
- 4 To re-elect Stephen East as a director.
- 5 To re-elect Nicholas Vetch as a director.
- 6 To elect Brett Miller as a director.
- 7 To reappoint KPMG LLP as auditor to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to determine their remuneration.

Special Business

- 8 THAT the directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, or to convert any securities into, shares in the Company up to a maximum nominal amount of £5,500,390 (being approximately one-third of the issued share capital of the Company (excluding shares held by the Company in treasury) at the date of this Notice) or such number of shares as is closest to but does not exceed one-third of the issued share capital as at the date of the Meeting provided that this authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2018, or 15 months from the date of the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry, and the directors may allot relevant securities and grant rights to subscribe or convert securities into shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.
- 9 THAT, subject to the passing of resolution 8 above, the directors be and are hereby empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the general authority conferred by resolution 8 above and be further empowered pursuant to section 573 of the Act to sell shares held by the Company as treasury shares (as defined in section 724 of the Act) for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that (save in the case of the issue of securities to or in accordance with the Company’s employee share schemes, being the Company Share Option Plan, Long Term Incentive Plan and Employee Benefit Trust) the directors will not allot any equity securities below the net asset value for that type of equity security as estimated by the directors on the latest practicable date prior to such allotment and that this power shall be limited to allotments of equity securities and the sale of treasury shares:
 - i. in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory;
 - ii. up to an aggregate nominal amount of £825,058; and
 - iii. otherwise than pursuant to sub-paragraphs i. and ii. above, up to an aggregate nominal amount of £1,650,117 or such number of shares as is closest to but does not exceed 10% of the issued share capital (excluding shares held by the Company in treasury) as at the date of the Meeting (including within such limit any equity securities allotted under paragraph ii. above),

and such power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2018 or 15 months from the date of the passing of this resolution, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

- 10** THAT the Company be generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares of 20p each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine, provided that:
- i. the maximum aggregate nominal value of Ordinary Shares authorised to be purchased is £2,473,525 being the number representing 14.99% of the issued share capital of the Company (excluding shares held by the Company in treasury) at the date of this Notice or such number of Ordinary Shares as is closest to but does not exceed 14.99% of the issued share capital (excluding shares held by the Company in treasury) as at the date of the Meeting;
 - ii. the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is 20p (being the nominal value of an Ordinary Share);
 - iii. unless a tender offer is made to all holders of Ordinary Shares the maximum price which may be paid for an Ordinary Share (exclusive of expenses) is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for an Ordinary Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the Ordinary Share is purchased; and (b) the higher of the price of the last independent trade in Ordinary Shares and the highest then current independent bid for the Ordinary Shares on the London Stock Exchange and where a tender offer is made to all holders of Ordinary Shares the maximum price which may be paid for an Ordinary Share is an amount equal to the net asset value per Ordinary Share at the latest practicable date prior to such purchase, all as determined by the directors;
 - iv. the authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2018 or 15 months from the date of the passing of this resolution, whichever is the earlier; and
 - v. the Company may make a contract to purchase Ordinary Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after its expiry and may make a purchase of Ordinary Shares in pursuance of any such contract.
- 11** THAT pursuant to, and for the purposes of, section 226B(1)(b) of the Act:
- i. the Remuneration Payment, as defined in Appendix 1 to this Notice of Annual General Meeting, (or any part thereof) is hereby approved; and
 - ii. the directors of the Company be and are hereby authorised to do all such acts and things which they may consider necessary or desirable in order to ensure that the Remuneration Payment (or any part thereof) shall be made to William Heaney in accordance with, and subject to, the provisions of the Award (as defined in Appendix 1 to this Notice of Annual General Meeting), the principal terms of which are summarised in Appendix 1 to this Notice of Annual General Meeting.
- 12** THAT, as permitted by section 307A of the Act, any general meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 clear days in accordance with the provisions of the articles of association of the Company provided that the authority of this resolution shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2018.

BY ORDER OF THE BOARD

William A Heaney

Company Secretary

19 January 2017

Registered office:

65 Grosvenor Street

London W1K 3JH

Notes on the Resolutions

Resolution 1 relates to the requirement for the directors to present the report of the directors and the accounts of the Company to shareholders at the Meeting. The report of the directors, the accounts and the report of the Company's Auditor on the accounts and on those parts of the directors' remuneration report that are capable of being audited are contained within the 2016 Annual Report.

Resolution 2 relates to the approval of the directors' remuneration during the year. The regime for the reporting and approval of directors' remuneration requires a binding shareholder resolution on the Company's remuneration policy. This was previously approved at the Annual General Meeting in 2014, from which time it remains effective for three years.

Resolution 3 relates to the separate requirement for an annual advisory vote on the implementation of the remuneration policy in terms of the payments and share awards made to directors during the year. Details of these are contained in the Remuneration Report section of the report of the directors and the financial statements for the financial year ended 30 September 2016.

Resolutions 4 and 5 relate to the provisions for directors to retire periodically. The Articles require each director to retire by rotation at every third Annual General Meeting. However, the directors have decided that, in accordance with the best practice provisions of the UK Corporate Governance Code ("the Code"), all directors should retire at each Annual General Meeting.

Resolution 6 relates to the requirement of Article 118 of the Company's Articles of Association that any director appointed by the board of directors retire from office at the next annual general meeting, being then eligible for re-election by the members.

Biographical details of each director subject to Resolutions 4, 5 and 6, including their membership of Board committees, are set out in the Company's Annual Report for the financial year ended 30 September 2016.

Resolution 7 relates to the requirement that the auditor of a company must be reappointed at each general meeting at which accounts are laid. This Resolution seeks approval for the reappointment of KPMG LLP as auditor of the Company, to hold office until the conclusion of the next Annual General Meeting at which accounts are laid. Pursuant to this Resolution, Shareholders are also being asked to authorise the directors to determine KPMG LLP's remuneration as Auditor.

Resolution 8 replaces the existing authority of the directors to allot shares, which expires at the conclusion of the forthcoming Meeting. The resolution authorises the directors to allot a maximum of 27,501,951 shares with an aggregate nominal value of £5,500,390. This is equivalent to approximately 33% of the current issued share capital of the Company (excluding shares held in treasury) as at the date of the Notice. The number of shares currently held in treasury is 9,164,017 (nominal value £1,832,803). The directors have no present intention to exercise the authority conferred by the resolution, which will lapse at the earlier of the 2018 Annual General Meeting or 15 months after the Meeting.

Resolution 9, which is subject to the passing of Resolution 8, will be proposed as a special resolution for the renewal of the directors' authority to allot equity securities for cash, without first offering them to shareholders pro rata to their holdings. This authority facilitates issues made by way of rights to shareholders which are not strictly in accordance with section 561(1) of the Companies Act 2006, and authorises other allotments of up to a maximum aggregate nominal amount of £825,058 of shares, representing approximately 5% of the current issued ordinary share capital of the Company (excluding shares held by the Company in treasury). This authority also allows the directors, within the same aggregate limit, to sell for cash shares that may be held by the Company in treasury. The Directors have no present intention of exercising this authority.

This disapplication authority is in line with institutional shareholder guidance, in particular the Pre-emption Group's Statement of Principles (the "Pre-emption Principles"). The Pre-emption Principles were revised in 2015 to allow the authority for an issue of shares otherwise than in connection with a pre-emptive offer to be increased from 5% to 10% of the Company's issued ordinary share capital, provided that the Company confirms that it intends to use the additional 5% authority only in connection with an acquisition or specified capital investment. The directors therefore confirm, in accordance with the Pre-emption Principles, that to the extent that the authority in paragraph (III) of Resolution 9 is used for an issue of ordinary shares with a nominal value in excess of £825,058 (that is, 5% of the Company's issued share capital (excluding shares held by the Company in treasury) as at the date of this Notice), it intends that it will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue.

The directors also confirm, in accordance with the Pre-emption Principles, that they do not intend to issue shares for cash representing more than 7.5% of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders. The authority will expire at the conclusion of the next Annual General Meeting or 15 months from the date of the passing of the resolution, whichever is the earlier.

Resolution 9 will be proposed as a special resolution.

Resolution 10 renews the directors' existing authority to purchase the Company's Ordinary Shares, up to a maximum of 14.99% of the Company's issued share capital (excluding shares held in treasury), for a further year. The directors have no present intention to exercise this authority but will keep the matter under review as one of the options for returning value to shareholders, taking into account the financial resources of the Company, the Company's share price and its future cash requirements. The authority would only be exercised if the directors believe that to do so would be in the best interests of shareholders generally. Any purchases of shares would be by means of market purchases through the London Stock Exchange. Save to the extent purchased pursuant to the regulations concerning treasury shares, any Ordinary Shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly. This would give the Company the ability to re-issue treasury shares, should this be necessary, quickly and cost effectively, and would provide the Company with greater flexibility over the management of its capital base. This would give the Company the ability to re-issue treasury shares, should this be necessary, quickly and cost-effectively and would provide the Company with greater flexibility over the management of its capital base.

In accordance with institutional investor guidelines, Resolution 10 will be proposed as a special resolution.

Resolution 11 relates to the requirement of section 226B of the Companies Act 2006 that a quoted company may not make a remuneration payment to a person who is, or is to be or has been, a director of the company unless the payment is approved by resolution of the members of the company concerned in general meeting. Pursuant to Resolution 11, which may be passed as an ordinary resolution, the Company is seeking the approval of its shareholders in respect of the Remuneration Payment (as defined in Appendix 1 to this Notice of Annual General Meeting) to be made to William Heaney. The Remuneration Payment would be made, if approved by the Company's shareholders, to honour a share option award granted to Mr Heaney prior to the time that he became a director of the Company. Details of the principal terms of the award granted to Mr Heaney and the Remuneration Payment (or parts thereof) that may be made pursuant to such award, to the extent that it becomes capable of being exercised, are set out in Appendix 1 to this Notice of Annual General Meeting. The award held by Mr Heaney may only be satisfied by the transfer of existing shares in the capital of the Company held by the trustee of The Local Shopping REIT plc Employee Benefit Trust and Mr Heaney is liable for all income tax and employer's and employee's national insurance contributions that may arise on the acquisition of such shares on the exercise of his award.

Resolution 12 renews the existing authority to hold general meetings, other than Annual General Meetings, on 14 days' notice. Although the Articles currently permit this, the Companies Act 2006 requires a shareholder resolution to be passed to authorise general meetings to be held on 14 days' notice. The minimum notice period for general meetings would otherwise be 21 days. The directors would not make use of the reduced notice period unless they considered this to be in the best interests of members as a whole.

Resolution 12 will be proposed as a special resolution.

General Notes

- 1 As permitted by section 360B(3) of the Act and Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders must be entered on the Company's share register at 6.30pm on Tuesday 28 February 2017 in order to be entitled to attend and vote at the Meeting (or, if the Meeting is adjourned on the Company's share register at 6.30pm on the day two business days before the time fixed for the adjourned Meeting). Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 2 Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so. A form to be used for appointing a proxy or proxies for this meeting to vote on your behalf accompanies this Notice.
- 3 A body corporate which is a member of the Company may appoint one or more corporate representatives to exercise all the powers of a shareholder on its behalf, provided that representatives of the same corporation do not exercise their powers differently in relation to the same shares.
- 4 In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6DA, not less than 48 hours before the time of the Meeting or of any adjournment of the Meeting.
- 5 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must (in order to be valid) be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 6 Persons with information rights under section 146 of the Act do not have the right to appoint a proxy. Any purported exercise by such persons (whether by completion and return of a form of proxy, or otherwise) will be ineffective. Such persons may, however, have specific rights to instruct the member who granted the information rights as to how such member exercises their right to appoint a proxy.
- 7 Any member attending the Meeting is entitled, pursuant to section 319A of the Act, to ask any question relating to the business being dealt with at the Meeting. The Company will answer any such questions unless: (i) to do so would interfere unduly with the preparation for the Meeting or involve the disclosure of confidential information; or (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.
- 8 The total number of Ordinary Shares in issue as at 19 January 2017, the last practicable date before printing this document, was 91,669,870 Ordinary Shares and the total level of voting rights was 91,669,870, of which 9,164,017 were attached to shares held in treasury by the Company.

- 9** Pursuant to sections 527 to 531 and sections 338 and 338A of the Act: (i) a member or members having a right to vote at the meeting and holding at least 5% of total voting rights of the Company; or (ii) at least 100 members having a right to vote at the meeting where each holds, on average, at least £100 of paid up share capital may request the Company to:
- (a) publish on its website, a statement setting out any matter that such member or members propose to raise at the Meeting relating to the audit of the Company's accounts (including the Auditor's report and the conduct of the audit) that are to be laid before the Meeting; and/or
 - (b) give notice of a resolution which may properly be moved and which such members intend to move at the Meeting; and/or
 - (c) include in the business of the Meeting any matter (other than a proposed resolution) which may properly be included in the business. A request that the Company publish a statement on its website, as described in sub-paragraph (a) above, must either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported, and be received by the Company at least one week before the Meeting. The Company must forward such a statement to the Company's Auditor no later than the time the statement is made available on the Company's website, and the statement may be dealt with as part of the business of the Meeting.

A request to give notice of a resolution which members intend to move at the Meeting, as described in sub-paragraph (b) above, must (i) identify the resolution of which notice is to be given; (ii) be authenticated by the person or persons making it; and (iii) be received by the Company not later than six weeks before the Meeting. A request for the inclusion of an item in the business of the Meeting, as described in sub-paragraph (c) above, must (i) identify the matter for inclusion; (ii) be accompanied by a statement setting out the grounds for the request; (iii) be authenticated by the person or persons making it; and (iv) be received by the Company not later than six weeks before the Meeting.

A member or members wishing to make requests as described in this note 9 must send the request, together with their name and address and share certificate number(s), to the Company using one of the following methods:

- in hard copy form to the Company Secretary, The Local Shopping REIT plc, c/o INTERNOS Global Investors Limited, 2nd Floor, 65 Grosvenor Street, London W1K 3JH;
- by email to the Company Secretary at bill.heaney@internosglobal.com; or
- by fax to 020 7355 8801, marked for the attention of the Company Secretary, The Local Shopping REIT plc.

- 10** Copies of the service contracts and letters of appointment of each of the directors are available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) and at the place of the Meeting from at least 15 minutes prior to and until the conclusion of the Meeting.
- 11** A copy of the memorandum setting out the particulars of the proposed Remuneration Payment (as defined in Appendix 1 to this Notice of General Meeting) complying with section 226D of the Companies Act 2006 (which is in the same form as Appendix 1 to this Notice of AGM) shall be available for inspection by the members of the Company at the registered office of the Company for a period of not less than 15 days ending with the date of the Annual General Meeting and at the place of the Annual General Meeting from at least 15 minutes prior to the Annual General Meeting until its conclusion. A copy of such memorandum shall also be available for inspection on the Company's website at www.localshoppingreit.co.uk from the first day that it is made available for inspection at the registered office of the Company until the Company's next accounts meeting.
- 12** A copy of this Notice together with other information required under the Act may be accessed on the Company's website www.localshoppingreit.co.uk. Any shareholders' statements, shareholders' resolutions and shareholders' matters of business received by the Company after the date of the Notice will be added to the information already available on the website as soon as reasonably practicable.
- 13** The results of the voting at the Meeting will be announced through the London Stock Exchange regulatory news service and will also appear on the Company's website.
- 14** You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

Appendix 1

MEMORANDUM PURSUANT TO SECTION 226D COMPANIES ACT 2006 REMUNERATION PAYMENT TO WILLIAM HEANEY

BACKGROUND

The current Directors' Remuneration Policy of the Company ("Current Policy") was approved by the Company's shareholders at its Annual General meeting on 6 March 2014.

The Current Policy provides that:

"As the Company no longer has any directly engaged employees, its previous employee remuneration arrangements no longer apply. However, the directors will engage with INTERNOS with the aim of ensuring that those working on the Company's portfolio, including the Company's former employees, are appropriately incentivised."

In accordance with this provision, the Company established the Local Shopping REIT plc Employee and Former Employee Incentive Scheme 2016 ("Scheme"). The Scheme was specifically designed to incentivise former employees of the Company now working at Internos Global Investors Limited in relation to the management of the Company's property portfolio to realise value from the disposal of property from that portfolio before certain deadlines or in excess of specified targets for the benefit of the Company and its shareholders.

Under the terms of the Scheme:

- only individuals who are either employees of the Company or any subsidiary of the Company ("Group") or former employees of the Group are eligible to participate;
- any existing, former or prospective director of the Company is expressly prohibited from being made an award under the Scheme;
- awards structured as nil-cost options may be granted giving the holder of such an award the right to acquire shares in the capital of the Company ("Shares") subject to the satisfaction of certain conditions;
- the awards may only be satisfied by the transfer of existing Shares held by the trustee of the Local Shopping REIT plc Employee Benefit Trust ("EBT") prior to the adoption of the Scheme. Awards cannot be satisfied by the issue of new Shares or by the transfer of Shares held in treasury by the Company.

On 13 October 2016, the Company granted awards under the Scheme to various eligible individuals. The awards made on 13 October 2016 included an award granted to William Heaney (further particulars of which are set out below) ("Award"). The terms of the Award are governed by the Scheme and such terms apply equally to all other awards granted under it on 13 October 2016.

At the time of the grant of the Award, Mr Heaney was not, and had not at any stage been, a director of the Company and there was no intention for him to become such a director.

However, on 10 November 2016, Mr Heaney was appointed as a director of the Company, in order to fulfil the requirement, subsisting at that time, under the Company's Articles of Association for a minimum of three directors. The shareholders of the Company having resolved, on 8 December 2016, to reduce this requirement to a minimum of two directors, Mr Heaney resigned his appointment as a director of the Company.

As a result of Mr Heaney being appointed as a director of the Company subsequent to the grant of the Award, the transfer of Shares to Mr Heaney pursuant to the exercise of such Award, if and when it becomes capable of exercise, and the payment of any cash pursuant to the dividend enhancement provisions described below are not authorised by the Current Policy.

PARTICULARS OF THE PROPOSED REMUNERATION PAYMENT PURSUANT TO THE AWARD

Quantum of the Award

The Award was granted as a nil-cost option to acquire a maximum of 239,151 Shares. There is no exercise price payable in respect of the exercise of the Award.

Ability to Exercise the Award and Lapse

In normal circumstances (i.e. in the absence of an "exit event" as described below) the Award may only be exercised if an "Ability to Exercise Notice" is issued under the Scheme. An Ability to Exercise Notice will be issued:

- on 30 September 2018 (which will permit the Award to be exercised in respect of such number of Shares as is equal to 50% of the Shares originally subject to the Award, rounded down to the nearest whole number of Shares); and
- on 30 September 2019 (which will permit the Award to be exercised in respect of the remaining Shares subject to the Award); and
- at any time before 30 September 2019, if the Gross Income from Property Sales reaches or exceeds £156.519 million (in which case the Award will be capable of exercise over all of the Shares over which it then subsists).

For these purposes:

- a "Property Sale" will be any sale of any interest in any property asset of the Group, including, but not limited to, sales of any beneficial or legal title to any such property asset or the sale of any Group company (other than the Company) holding the legal or beneficial title to such property asset to a third party outside the Group that has occurred or occurs at any time after 25 July 2013; and
- "Gross Income" will be the aggregate gross consideration receivable (whether immediately or on deferred terms) by the Company or Group company concerned in respect of all Property Sales. (In any case where a Property Sale is made by way of a sale of a Group company to a third party outside the Group, the gross consideration receivable shall be the gross value attributed to the property asset(s) held by the Group company concerned, as stated in the sale and purchase agreement relating to the disposal of such Group company.)

If an Ability to Exercise Notice is issued under the Scheme, Mr Heaney will normally have a period of 18 months following the issue of such Ability to Exercise Notice to exercise the Award in respect of the number of Shares subject to that particular Ability to Exercise Notice. If the Award is not exercised in respect of the Shares stated in an Ability to Exercise Notice prior to the expiry of 18 months following the issue of such Ability to Exercise Notice, the Award shall lapse in respect of the Shares stated in such Ability to Exercise Notice.

The Award may also normally be exercised within the six-month period following an "exit event" PROVIDED that an exit event occurs on or prior to 30 September 2019. For these purposes an "exit event" is:

- the acquisition of control of the Company by a third party pursuant to a general offer or a court sanctioned compromise or arrangement; or
- the passing of a resolution for, or the granting of an order for, the voluntary winding up of the Company; or
- the removal of the Company from the official list of the UK Listing Authority; or
- any other circumstance which the remuneration committee of the Company ("Remuneration Committee") determines should be an exit event.

If an exit event occurs prior to 30 September 2019, the Award will be capable of exercise in full (but only to the extent it has not already been exercised) irrespective of the extent to which the Gross Income from Property Sales target referred to above has been satisfied or any Ability to Exercise Notice has been issued at the time of such exit event.

Pursuant to the rules of the Scheme, the Award will lapse upon the occurrence of:

- the expiry of six months following an exit event;
- Mr Heaney being declared bankrupt;
- in respect of the number of Shares over which the Award is capable of exercise as specified in an Ability to Exercise Notice, at the expiry of the 18 month exercise period relating to such Ability to Exercise Notice;
- 31 March 2021 in any event.

Dividend Enhancement

Whenever the Award is exercised (and not before), Mr Heaney shall be entitled to receive a payment in cash of an amount determined in accordance with the formula below:

$A \times B$, where: "A" is the number of Shares in respect of which the Award is exercised on that occasion; and "B" is the amount of the aggregate dividends received or receivable in respect of a Share held by the trustee of the EBT (net of any tax payable by the trustee in respect of such a dividend) by reference to any record date for such dividends which falls within the period commencing from the date of grant of the Award and ending on the date of exercise of the Award.

Any such payment will only be paid following the exercise of the Award and Mr Heaney shall have no entitlement to receive such payment unless and until the Award is exercised. All payments made will be subject to the deduction of income tax and employee's national insurance.

Cessation of Employment

In the event that at any time before 30 September 2019, Mr Heaney ceases to be employed or otherwise contractually engaged by Internos Global Investors Limited or any of its subsidiaries for any reason other than a "Good Leaver Reason" (or being an employee of the Group ceases to be so employed within the Group for any reason other than a "Good Leaver Reason"):

- he will only be able to exercise the Award to the extent specified in the Ability to Exercise Notice (if any) most recently issued to him prior to the relevant cessation; and
- the Award shall lapse in respect of any other Shares over which it subsists.

In the event that Mr Heaney ceases to be employed or otherwise contractually engaged by Internos Global Investors Limited or any of its subsidiaries for a Good Leaver Reason (or being an employee of the Group ceases to be so employed within the Group for a Good Leaver Reason), he may retain the Award and continue to receive Ability to Exercise Notices in relation to any the Award post the termination of the relevant engagement or employment and will also be able to exercise the Award in the case of an exit event. For these purposes "Good Leaver Reason" is defined as:

- death;
- injury or disability evidenced to the satisfaction of the Remuneration Committee;
- statutory redundancy (or the equivalent of the same in the case of an award holder engaged by way of a contract for services); or
- any other reason that the Remuneration Committee deem should be treated as a good leaver reason.

Other Award terms & Issues of Ordinary Shares

The Award is not capable of transfer or assignment. Until the Award is exercised, Mr Heaney has no voting or other rights in relation to the Shares subject to the Award. Shares transferred on the exercise of the Award shall be transferred without the benefit of any rights attaching to the Shares by reference to a record date preceding the date of that exercise. Benefits obtained under the Scheme by Mr Heaney are not pensionable.

In the event that there is any capitalisation issue or rights issue (other than an issue of shares pursuant to the exercise of an option given to shareholders of the Company to receive shares in lieu of dividends), any open offer or other variation in the share capital of the Company (including, without limitation, any consolidation, sub-division or reduction of capital of the Company), the number and/or nominal value of Shares subject to the Award may be adjusted in such manner as the Remuneration Committee deem appropriate (with the consent of the trustee of the EBT).

Mr Heaney is liable for all income tax and employer's and employee's national insurance contributions that may arise on the acquisition of Shares on the exercise of the Award.

Remuneration Payment

Subject to the principal terms of the Scheme described above, the maximum remuneration payment which Mr Heaney would be entitled to receive pursuant to the Award, in the event that the Award is exercised in full, would be the aggregate of:

- the 239,151 Shares subject to the Award; and
- the payment of such amount in cash, as is determined in accordance with the formula described under the heading “Dividend Enhancement” above in relation to each and every exercise of the Award,

(together, the “Remuneration Payment”).

WAYS IN WHICH THE REMUNERATION PAYMENT IS INCONSISTENT WITH THE CURRENT POLICY

The Current Policy does not describe any of the provisions of the Scheme as the Company never envisaged a director of the Company being granted an award under the Scheme. In fact, the Scheme was designed expressly so that awards cannot be granted under it to any existing, former or prospective director of the Company.

Furthermore, the Current Policy does not address the situation (which relates to Mr Heaney’s Award) where an individual is made an award at a time when that individual is not an existing, former or prospective director of the Company, but then subsequently becomes a director of the Company prior to the time at which the remuneration payment pursuant to the award is due for settlement.

In the absence of Mr Heaney becoming a director of the Company after the grant to him of the Award, the Remuneration Payment payable in honour of the terms of the Award, could be made to Mr Heaney. However, following the appointment of Mr Heaney as a director of the Company on 10 November 2016, it is the case that the Remuneration Payment (potentially payable after Mr Heaney’s appointment as such a director) is not authorised by the Current Policy. Accordingly, the approval of the Company’s shareholders in general meeting is being sought pursuant to section 226B of the Companies Act 2006 in respect of the Remuneration Payment, so that such Remuneration Payment may be made to Mr Heaney in accordance with the terms of the Award made to him before his appointment as a director of the Company.