



The Lambert Smith Hampton Limited Annual Bonus Plan Scheme

Introduction

Reward is a critical driver of your engagement with Lambert Smith Hampton (the “Company”) and bonus is a component of your total reward package which typically incentivises you to deliver a great performance.

Given the importance of bonus, the purpose of this document is to provide a transparent summary of the bonus scheme for all performance years going forward. The document gives information on how bonuses are determined and a number of other key principles that will equip you with a fuller understanding of how the scheme works.

Eligible Employees

The bonus scheme will apply to all employees under:

- An LSH Group Ltd contract, based in England, Scotland and Wales
- An LSH Ltd contract, based in the Republic of Ireland
- An LSH (Nireland) Ltd contract, based in Northern Ireland
- An LSH Associated Employers Ltd contract, based in the UK (with the exception of AE site based staff who have separate bonus arrangements with clients)

Any bonus paid will be done so in accordance with the terms of this document.

Allocation of Bonus Awards

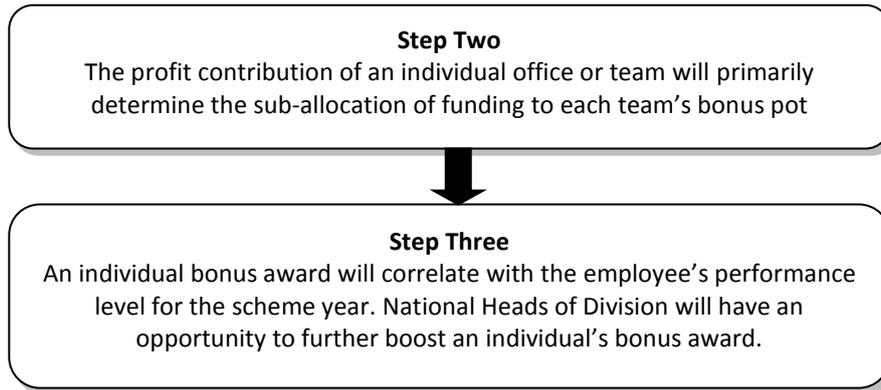
Following closure of the designated performance year, a bonus pot will be allocated to the relevant Senior Leadership Team Heads. The purpose of the bonus pot is to give the Senior Leadership Team flexibility to allocate bonus according to the individual performance of employees in their teams.

It should be remembered that the Company’s Annual Bonus Scheme is fully discretionary with all bonus awards requiring the approval of the Company’s Remuneration Committee. In formulating a bonus funding approach for the Remuneration Committee to consider, a structured approach to bonus award determination will be adopted as follows:-

Step one

The Company’s profit performance (EBITDA) will determine the overall level of bonus funding available to Lambert Smith Hampton for allocation.
Note that the level of bonus funding falls if the Company’s profit performance is below budget.





Taking each of these steps in turn:

- **Step One** – The overall amount payable under the bonus scheme will be determined by the Company achieving a level of EBITDA profit performance. Note that the level of bonus funding falls if the Company's profit performance is below budget.
- **Step Two** – The allocation of bonus funding to teams across the Company will be determined by the Company Remuneration Committee using an allocation approach as follows:
 - The primary determinant of bonus funding allocation to an office or team will be the profit contribution for that office or team.
 - The Remuneration Committee may decide to add further bonus funding to an office or team depending on the outcome of overall Company performance.
- **Step Three** – There will be a strong correlation between an employee's performance rating and their bonus award. An employee's performance as well as any bonus will be reviewed by his or her line manager in conjunction with Super Region Heads, Heads of Office and National Heads of Service Lines. The National Heads of Service Lines may decide to moderate an individual's allocation depending on strategic or tactical outcomes, which they may wish to achieve for their service line.

On the basis of feedback relating to the terminology used for performance ratings and in order to ensure consistency with the performance ratings of the group the following terms apply going forward:

Rating	Rating Name	Rating Descriptor
5	Significantly exceeds expectations	Significantly and consistently exceeds the performance for the role, demonstrating exceptional levels of performance consistent with the level-up from "Exceeded".
4	Exceeds expectations	Demonstrates performance over and above the level required regularly/on a number of occasions.
3	Strong performance	Achieves a solid, experienced and competent standard of performance. All objectives met.

2	Falls below expectations	Meets expected performance level in a number of aspects, but not all and requires development in some areas.
1	Significantly falls below expectations	Not yet meeting minimum acceptable performance levels

Bonus awards will be allocated on a top down basis throughout the business across fee earners and support staff. In all cases, employees who achieve performance ratings of 2 or 1 will not be considered for a bonus award.

Though an employee's performance rating is based on a comprehensive set of performance objectives, a line manager for a fee earning staff member must ensure that a set of core objectives are based on the following key principles:

- Cross-Sale - fees generated from cross-selling work. Consequently, maintaining personal fee data on the cross-sale module in EBIS is an important influence over the bonus award.
- Disbursements – where appropriate, costs incurred as part of doing business have been correctly charged to clients.
- Cash Collection – there are no significant outstanding invoices by the point that any bonuses are due to be paid.

OTHER KEY PRINCIPLES

In order to fully understand the Company's Bonus Scheme, you should take time to carefully read the other key principles (set out below), which underpin the scheme:

- **The Scheme Year** - The Company bonus scheme will commence at the start of the new trading period of the Company, which runs from January 1st to December 31st of each year. Any bonus awards for a given performance year will be paid in the April payroll of the following year with any second tranche of a bonus paid in the October payroll of that year.
- **Fee Income Allocations** – Where personal fee income levels are a contributing element towards bonus awards, the following conditions apply:
 - Fees invoiced within the performance year are considered in any calculation
 - Only fee income where cash has been received by the Company before close of business on 31 March in the following performance year will be considered in the calculation.
 - Any fees that have been invoiced during the performance year but where income has not been paid as at close of business 31 March in the following performance year will be 'held over' and considered in the following year's performance calculations

- **Second Tranche Bonuses** – When a bonus award is greater than £10,000, then payments of the bonus will be structured as follows:
 - £10,001-£20,000 - £10,000 of the bonus will be paid in the April payroll and the balance in the October payroll.
 - Greater than £20,000 – The bonus amount will be split evenly with 50% of the bonus paid in the April payroll and the balance in the October payroll.
- **Leavers** – Any employee who resigns voluntarily from the Company will forgo any accrued bonus that is not yet paid. If the employment of an employee comes to an end for a “good reason”, then any accrued unpaid bonus will be paid. “Good Reasons” are at the discretion of the Company Remuneration Committee, but will include the following non-exhaustive reasons:
 - Redundancy within the meaning of the Employment Rights Act 1996
 - The death of the employee.
 - The employee being unable on medical evidence acceptable to the Company to continue working for the Company by reason of ill health or injury.
- **Pensionable Salary** - A bonus payment is not part of the salary calculation determining the employer contribution for pension auto-enrolment.
- **Discretionary Principle** – It is important to note that the business environment can rapidly change and it is critical that the Company has the flexibility to change the terms of a bonus scheme with such a significant impact on its level of profitability. The bonus scheme is therefore fully discretionary and the Company reserves the right to vary, discontinue or withdraw the scheme from any or all employee(s) without notice and without compensation.
- **Future Bonuses** - A bonus award resulting from a given performance year does not provide a contractual entitlement to a bonus in subsequent years. The bonus scheme is fully discretionary on a year by year basis.
- **Bonus Transfers** – On occasions, in the past, some senior team leaders have allocated components of their bonus to other team members. Please note that under the scheme rules, no employee may transfer or re-assign their bonus.
- **Governance Structure** – As indicated earlier in this document the scheme is governed by the Company’s Remuneration Committee. The Remuneration Committee has sole discretion as to who participates in the bonus scheme and the awards which are made. Any disputes arising from the scheme will be resolved via the Committee using the terms outlined in the Company Annual Bonus Scheme.
- **Claw Back** – The Company reserves the right to claw back any bonus element paid if the employee resigns from the Company within three months of the payment date of that bonus element.

Conclusion

The bonus scheme is intended to be a key motivator for securing great personal and business performance at Lambert Smith Hampton. A level of commitment and transparency underpins the scheme and these new principles will bring a consistent approach to incentive awards at the Company.