
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM S-8
REGISTRATION STATEMENT**
*UNDER
THE SECURITIES ACT OF 1933*

MEREO BIOPHARMA GROUP PLC
(Exact Name of Registrant as specified in its charter)

United Kingdom
(State or other jurisdiction of
incorporation or organization)

N/A
(I.R.S. Employer
Identification No.)

**4th Floor
One Cavendish Place
London W1G 0QF United Kingdom
+44 33 3023 7300**
(Address including zip code of Principal Executive Offices)

**Mereo BioPharma Group plc 2019 Equity Incentive Plan, as amended
Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended
Mereo BioPharma Group plc Share Option Scheme 2016, as amended
Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended
Mereo BioPharma Group plc Long Term Incentive Plan 2016, as amended
Mereo BioPharma Group Share Option Scheme 2015, as amended**

(Full title of the plans)

**Mereo US Holdings Inc.
251 Little Falls Drive
Wilmington, DE 19808
Telephone No.: +1 302 636 5401**
(Name, address and telephone number, including area code, of agent for service)

Copy to :

**David S. Bakst
Mayer Brown LLP
1221 Avenue of the Americas
New York, New York 10020
+1 212 506 2500**

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (2)	Proposed Maximum Offering Price Per Share (3)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Ordinary shares, nominal value £0.003 per share(1)	28,155,942	0.69	\$19,427,599.98	\$2,119.55

- (1) The ordinary shares, par value £0.003 per share (the “Ordinary Shares”) of Mereo BioPharma Group plc (the “Company”) registered hereunder may be represented by the Company’s American Depositary Shares (“ADSs”), with each ADS representing five Ordinary Shares. The Company’s ADSs issuable upon deposit of the ordinary shares have been registered under separate registration statements on Form F-6 (333-223890 and 333-249338).
- (2) Represents ordinary shares issuable pursuant to the Mereo BioPharma Group plc 2019 Equity Incentive Plan and the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended on February 13, 2020 and January 15, 2021, the Mereo BioPharma Group plc Share Option Scheme 2016 adopted March 4, 2016, amended on April 4, 2017, March 20, 2018 and December 3, 2020, the Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended on March 20, 2018 and December 3, 2020, the Mereo BioPharma Group plc Long Term Incentive Plan 2016, adopted 4 March 2016, as amended on March 20, 2018 and December 3, 2020 and the Mereo BioPharma Group Share Option Scheme 2015 adopted July 8, 2015, as amended on December 3, 2020 (collectively, the “Plans”). Pursuant to Rule 416(a) under the Securities Act of 1933, as amended (the “Securities Act”), this registration statement is deemed to cover an indeterminate number of additional Ordinary Shares that may be offered or issued pursuant to Plans to prevent dilution resulting from any share dividend, share split or other similar transaction.
- (3) Computed solely for the purpose of calculating the registration fee pursuant to Rule 457(c) and 457(h) under the Securities Act on the basis of \$3.43, the average high and low sale price of the ADSs on the Nasdaq Global Market on January 11, 2021 divided by five to reflect the Ordinary Share to ADS ratio.

EXPLANATORY NOTE

This Registration Statement on Form S-8 (this “Registration Statement”) is filed by Mereo BioPharma Group plc (the “Company”) for the purpose of registering an additional 17,997,891 ordinary shares, nominal value £0.003 per share (the “Ordinary Shares”), which may be issued pursuant to new and previously issued awards under the Mereo BioPharma Group plc 2019 Equity Incentive Plan and the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended on February 13, 2020 and January 15, 2021, 1,192,924 Ordinary Shares which may be issued under the Mereo BioPharma Group plc Share Option Scheme 2016 adopted March 4, 2016, amended on April 4, 2017, March 20, 2018 and December 3, 2020, 162,997 Ordinary Shares which may be issued under the Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended on March 20, 2018 and December 3, 2020, 241,374 Ordinary Shares which may be issued under the Mereo BioPharma Group plc Long Term Incentive Plan 2016 adopted on March 4, 2016, as amended on March 20, 2018 and December 3, 2020 and 8,560,756 Ordinary Shares which may be issued under the Mereo BioPharma Group Share Option Scheme 2015 adopted July 8, 2015, as amended on December 3, 2020 (collectively, the “Plans”). The number of Ordinary Shares available for issuance under the 2019 Plans is subject to increase on January 1 of each year in an amount equal to the lesser of (i) 5.31% of the Company’s issued and outstanding shares and (ii) such number of shares as determined by the plan administrator, in its discretion.

On May 21, 2019, the Company filed with the Securities and Exchange Commission (the “SEC”) a Registration Statement on Form S-8 (File No. 333-231636) and on February 18, 2020 the Company filed a Registration Statement on Form S-8 (File No. 333-236498) (collectively, the “Prior Registration Statements”) to register a total of 9,556,000 Ordinary Shares issuable under the 2019 Plans. The Company is filing this Registration Statement to register an additional 28,155,942 Ordinary Shares, which may be issued pursuant to new and previously issued awards under the Plans. Pursuant to Instruction E of Form S-8, the contents of Prior Registration Statement are hereby incorporated by reference herein, and the information required by Part II of Form S-8 is omitted, except as supplemented by the information set forth below.

PART I

INFORMATION REQUIRED IN THE SECTION 10(a) PROSPECTUS

ITEM 1. PLAN INFORMATION.

The information required by Item 1 is included in documents sent or given to participants in the plans covered by this registration statement pursuant to Rule 428(b)(1) of the Securities Act of 1933, as amended (the "Securities Act").

ITEM 2. REGISTRANT INFORMATION AND EMPLOYEE PLAN ANNUAL INFORMATION.

The written statement required by Item 2 is included in documents sent or given to participants in the plans covered by this registration statement pursuant to Rule 428(b)(1) of the Securities Act.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

ITEM 3. INCORPORATION OF DOCUMENTS BY REFERENCE.

The following documents are incorporated herein by reference:

- (a) [The Company's annual report on Form 20-F for the year ended December 31, 2019, filed with the SEC on June 15, 2020 \(File No. 001-38452\)](#);
- (b) [The Company's report on Form 6-K furnished to the SEC on September 29, 2020 incorporated by reference herein](#);
- (c) All reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") since the end of the fiscal year covered by the Company's Form 20-F referred to in clause (a) above; and
- (d) The description of the Company's Ordinary Shares and ADSs contained in the Company's registration statement on [Form 8-A, filed with the SEC on April 9, 2018 \(File No. 001-38452\)](#), including any amendment or report filed for the purpose of updating such description as updated by [Exhibit 2.2 to the Company's 2019 Form 20-F](#), including the "Description of Ordinary Shares" and the "Description of American Depositary Shares" contained therein and any amendment or report filed for the purpose of further updating such descriptions.

In addition, all documents subsequently filed by the Company with the SEC pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Exchange Act, prior to the filing of a post-effective amendment to this Registration Statement which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold, including any Report of Foreign Private Issuer on Form 6-K submitted during such period (or portion thereof) that is identified in such form as being incorporated by reference into this Registration Statement, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of the filing of such documents. The Company is not incorporating by reference any document or portion thereof, whether specifically listed above or to be filed in the future, that is not deemed "filed" with the SEC.

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

ITEM 4. DESCRIPTION OF SECURITIES.

Not applicable.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL.

Not applicable.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

The Company's Articles of Association provide that the Company may indemnify its directors and other officers in respect of any proceedings, whether civil or criminal, brought against them by reason of their being directors or officers of the Company and to the fullest extent permitted by the Companies Act 2006 of the United Kingdom ("CA 2006").

Generally, under CA 2006, any provision by which the Company directly or indirectly provides an indemnity (to any extent) for a director of the Company or of an "associated company" (i.e., a company that is a parent, subsidiary or sister company of the Company) against any liability attaching to him or her in connection with any negligence, default, breach of duty or breach of trust in relation to the company of which he or she is a director is (subject to certain exceptions specified under CA 2006) void.

The Company has entered into a deed of indemnity with each of its directors, the form of which was filed as Exhibit 10.26 to the Company's registration statement on Form F-4 (Registration No. 333-229351), as originally filed by the Company on January 25, 2019 and subsequently amended. Except as prohibited by applicable law, these deeds of indemnity may require the Company, among other things, to indemnify its directors for certain expenses, including attorneys' fees, costs and expenses incurred by such directors with the prior written consent of the Company in any action or proceeding arising out of their service as a director of the Company, or one of its subsidiaries.

The Company maintains directors and officers insurance coverage, which, subject to policy terms and limitations, is expected to include coverage to reimburse the Company for amounts that it may be required or permitted by law to pay directors or officers of the Company.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 7. EXEMPTION FROM REGISTRATION CLAIMED.

Not applicable.

ITEM 8. EXHIBITS.

The exhibits listed below in the "Exhibit Index" are filed as a part of, or incorporated by reference into, this Registration Statement.

ITEM 9. UNDERTAKINGS.

(a) The undersigned Company hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:
 - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act;

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

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

- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
 - (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (b) The undersigned Company hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the Company's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.
- (c) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
3.1	<u>Articles of Association of the Company (incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form F-4, filed with the SEC on January 25, 2019 (Registration No. 333-229351))</u>
5.1*	<u>Opinion of Mayer Brown International LLP</u>
23.1	<u>Consent of Mayer Brown International LLP (included in Exhibit 5.1)</u>
23.2*	<u>Consent of Ernst & Young LLP, independent registered public accounting firm</u>
24.1	<u>Powers of Attorney (included in signature page hereto)</u>
99.1*	<u>Mereo BioPharma Group plc 2019 Equity Incentive Plan, as amended on February 13, 2020 and January 15, 2021</u>
99.2*	<u>Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended on February 13, 2020 and January 15, 2021 (included in Exhibit 99.1)</u>
99.3*	<u>Mereo BioPharma Group plc Share Option Scheme 2016, as amended on April 4, 2017, March 20, 2018 and December 3, 2020</u>
99.4*	<u>Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended on March 20, 2018 and December 3, 2020</u>
99.5*	<u>Mereo BioPharma Group plc Long Term Incentive Plan 2016, as amended on March 20, 2018 and December 3, 2020</u>
99.6*	<u>Mereo BioPharma Group Share Option Scheme 2015, as amended on March 20, 2018 and December 3, 2020</u>

* Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this registration statement to be signed on its behalf by the undersigned thereunto duly authorized, in London, the United Kingdom on January 15, 2021.

MEREO BIOPHARMA GROUP PLC

By: /s/ Denise Scots-Knight, Ph.D.

Name: Denise Scots-Knight, Ph.D.

Title: Chief Executive Officer

KNOW ALL PERSONS BY THESE PRESENT, that each person whose signature appears below hereby constitutes and appoints Denise Scots-Knight, Ph.D. and Christine Fox, and each of them, as his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead in any and all capacities, in connection with this registration statement, including to sign in the name and on behalf of the undersigned, this registration statement and any and all amendments thereto, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his or her substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on January 15, 2021 in the capacities indicated:

<u>Signature</u>	<u>Title</u>
<u>/s/ Denise Scots-Knight, Ph.D.</u> Denise Scots-Knight, Ph.D.	Chief Executive Officer and Member of the Board (Principal Executive Officer)
<u>/s/ Christine Fox</u> Christine Fox	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
<u>/s/ Peter Fellner, Ph.D.</u> Peter Fellner, Ph.D.	Chairman of the Board
<u>/s/ Peter Bains</u> Peter Bains	Member of the Board
<u>/s/ Jeremy Bender</u> Dr. Jeremy Bender	Member of the Board
<u>/s/ Anders Ekblom, M.D., Ph.D.</u> Anders Ekblom, M.D., Ph.D.	Member of the Board
<u>/s/ Kunal Kashyap</u> Kunal Kashyap	Member of the Board
<u>/s/ Deepika R. Pakianathan, Ph.D.</u> Deepika R. Pakianathan, Ph.D.	Member of the Board

/s/ Brian Schwartz

Member of the Board

Dr. Brian Schwartz

/s/ Michael S. Wyzga

Member of the Board

Michael S. Wyzga

SIGNATURE OF AUTHORIZED U.S. REPRESENTATIVE OF REGISTRANT

Pursuant to the requirements of the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of Mereo BioPharma Group plc has signed this registration statement on January 15, 2021.

Mereo US Holdings Inc.

By: /s/Denise Scots-Knight, Ph.D.

Name: Denise Scots-Knight, Ph.D.

Title: President

Mayer Brown International LLP
201 Bishopsgate
London EC2M 3AF

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Mereo BioPharma Group plc
4th Floor
One Cavendish Place
London
W1G 0QF

15 January 2021

Our ref: 1923354/20456

Dear Sir/Madam

Registration Statement on Form S-8

1. Background

We have acted for Mereo BioPharma Group plc, a public limited company incorporated under the laws of England and Wales (the “**Company**”), as its legal advisers in England in connection with the registration statement on Form S-8 (the “**Registration Statement**”) to be filed on or about 15 January 2021 by the Company with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the “**Securities Act**”), and the rules and regulations promulgated thereunder (the “**Rules**”), relating to the registration of an aggregate of 28,155,942 ordinary shares of £0.003 each in the Company (the “**Shares**”). The Shares may be issued in connection with the vesting or exercise of rights to acquire Shares and of rights to acquire American Depositary Shares (each representing five Shares) (together “**Awards**”) under the Mereo BioPharma Group Limited Share Option Scheme 2015 (the “**2015 Scheme**”), the Mereo BioPharma Group plc Deferred Bonus Share Plan 2016 (the “**2016 Bonus Plan**”), the Mereo BioPharma Group plc Long Term Incentive Plan 2016 (the “**2016 LTIP**”), the Mereo BioPharma Group plc Share Option Scheme 2016 (the “**2016 Scheme**”) and the Mereo BioPharma Group plc 2019 Equity Incentive Plan (including the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan) (the “**2019 Scheme**” and, together with the 2015 Scheme, the 2016 Bonus Plan, the 2016 LTIP and the 2016 Scheme, the “**Schemes**”).

In connection with the Registration Statement, we have been asked to provide an opinion on certain matters, as set out below.

2. Examination and enquiries

(a) For the purpose of giving this opinion, we have examined:

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

Mayer Brown International LLP is a limited liability partnership (registered in England and Wales number OC303359), which is authorised and regulated by the Solicitors Regulation Authority with SRA number 369822. Mayer Brown is a global services provider comprising an association of legal practices that are separate entities including Mayer Brown LLP (Illinois, USA), Mayer Brown International LLP (England), Mayer Brown (a Hong Kong partnership) and Tauil & Chequer Advogados (a Brazilian partnership).

We use the term “partner” to refer to a member of Mayer Brown International LLP, or an employee or consultant who is a lawyer with equivalent standing and qualifications and to a partner of or lawyer with equivalent status in another Mayer Brown entity. A list of the names of members of Mayer Brown International LLP and their respective professional qualifications may be inspected at our registered office, 201 Bishopsgate, London EC2M 3AF, England or on www.mayerbrown.com.

- (i) a copy of the Registration Statement (excluding its exhibits and any documents incorporated by reference into the Registration Statement); and
 - (ii) a certificate dated 15 January 2021 signed by the company secretary of the Company (the “**Officer’s Certificate**”) relating to certain factual matters and having annexed thereto copies (certified by the company secretary as being true, complete, accurate and up-to-date in each case) of the following documents:
 - (A) the Company’s certificate of incorporation, certificate of incorporation on re-registration, memorandum of association and its articles of association;
 - (B) the scheme rules of the 2015 Scheme (adopted on 8 July 2015), together with addendum (approved on 3 December 2020);
 - (C) the rules of the 2016 Bonus Plan (adopted on 4 March 2016 and amended on 20 March 2018 and 3 December 2020);
 - (D) the rules of the 2016 LTIP (adopted on 4 March 2016 and amended on 20 March 2018), together with addendum (approved on 3 December 2020);
 - (E) the rules of the 2016 Scheme (adopted on 4 March 2016 and amended on 4 April 2017, 20 March 2018 and 3 December 2020); and
 - (F) the 2019 Scheme (as amended on 13 February 2020 and 15 January 2021)).
- (b) For the purpose of giving this opinion, we have:
- (i) arranged for our agents to make on 15 January 2021 an online search of the register kept by the Registrar of Companies in respect of the Company (the “**Company Search**”); and
 - (ii) arranged for our agents to make on 15 January 2021 at approximately 10.05 a.m. an online search in respect of the Company of the Central Registry of Winding Up Petitions (the “**Central Registry Enquiry**”, and, together with the Company Search, the “**Searches**”),
- and reviewed the information we received from our agents from the Searches (the “**Search Results**”).
- (c) For the purposes of giving this opinion, we have only examined and relied on those documents referred to in paragraph 2(a) and arranged or obtained the Searches and reviewed the Search Results. We have made no further enquiries concerning the Company or any other matter in connection with the giving of this opinion.
- (d) We have made no enquiry, and express no opinion, as to any matter of fact. As to matters of fact which are material to this opinion, we have relied entirely and without further enquiry on statements made in the documents listed in paragraph 2(a).

3. Assumptions

- (a) In giving this opinion we have assumed:
- (i) the genuineness of all signatures, seals and stamps;
 - (ii) that each of the individuals who signs as, or otherwise claims to be, an officer of the Company is the individual whom he or she claims to be and holds the office he or she claims to hold;
 - (iii) the authenticity and completeness of all documents submitted to us as originals;
 - (iv) the conformity with the original documents of all documents reviewed by us as drafts, specimens, pro formas or copies, and the authenticity and completeness of all such original documents;
 - (v) that each of the Schemes was validly adopted by the Company, including in accordance with all applicable laws and regulations;
 - (vi) that all grants of Awards made under each of the Schemes and all allotments of Shares in connection with the vesting or exercise of Awards under each of the Schemes have been, or will be, validly made in accordance with the rules of the relevant Scheme and in accordance with the Company's articles of association;
 - (vii) that there are no provisions of the laws of any jurisdiction outside England and Wales that would have any implication for the opinions we express and that, insofar as the laws of any jurisdiction outside England and Wales may be relevant to this opinion letter, such laws have been and will be complied with;
 - (viii) that each consent, licence, approval, authorisation or order of any governmental authority or other person which is required under any applicable law in connection with the transactions contemplated by the Registration Statement, has been or will have been obtained and is or will be in full force and effect;
 - (ix) that the Company is and will at all relevant times remain in compliance with all applicable anti-corruption, anti-money laundering, anti-terrorism, sanctions, exchange control and human rights laws and regulations of any applicable jurisdiction;
 - (x) that no agreement, document or obligation to or by which the Company (or its assets) is a party or bound, and no injunction or other court order against or affecting the Company, would be breached or infringed by the performance of actions to be carried out pursuant to, or any other aspect of the matters contemplated by, the Registration Statement;
 - (xi) that the information disclosed by the Searches is true, accurate, complete and up-to-date and that there is no information which, for any reason, should have been disclosed by those Searches and was not;

- (xii) that all applicable laws (for the avoidance of doubt, as in force at all relevant times) have been and will be complied with respect to anything done in relation to the grant of Awards under each of the Schemes and the allotment and issue of any Shares in connection with the vesting or exercise of Awards under each of the Schemes, including without limitation the Financial Services and Markets Act 2000, the Retained Regulation (EU) No. 596/2014 of the European Parliament and the Retained Regulation (EU) No. 2017/1129 of the European Parliament;
- (xiii) that as at each date on which the Company grants or granted Awards under any of the Schemes or allots and issues any Shares in connection with the vesting or exercise of Awards under any of the Schemes (each an “**Allotment Date**”), the documents examined, and the results of the searches and enquiries made, as set out in paragraph 2 (*Examination and enquiries*), would not be rendered untrue, inaccurate, incomplete or out-of-date in any relevant respect by reference to subsequent facts, matters, circumstances or events;
- (xiv) that as at each date on which the Company allots and issues any Shares in connection with the vesting or exercise of Awards under any of the Schemes, the Company will have received the aggregate consideration payable for those Shares as “cash consideration” (as defined in s583(3) Companies Act 2006), such aggregate consideration being not less than the nominal value of those Shares; and that s583 Companies Act 2006 will continue in force unamended at all relevant times;
- (xv) that, to the extent necessary, the directors of the Company as at each Allotment Date will be duly authorised pursuant to the articles of association of the Company in force at the Allotment Date, the Companies Act 2006 and any relevant authority given by the members of the Company in general meeting to grant such Awards and/or to allot and issue the relevant Shares, and that any pre-emption rights that would otherwise apply in relation to such grant, allotment and issue will have been validly disapplied (in each case to the extent required);
- (xvi) that as at each date on which the Company allots and issues any Shares in connection with the vesting or exercise of Awards under any of the Schemes, the directors of the Company will have validly resolved to allot and issue the relevant Shares;
- (xvii) that there is and will be no fact or matter (such as bad faith, coercion, duress, undue influence or a mistake or misrepresentation before or at the time any agreement or instrument is entered into, a subsequent breach, release, waiver or variation of any right or provision, an entitlement to rectification or circumstances giving rise to an estoppel) and no additional document between any relevant parties which in either case would or might affect this opinion and which was not revealed to us by the documents examined or the searches and enquiries made by us in connection with the giving of this opinion; and
- (xviii) that no allotment of Shares will result in a requirement to make a mandatory offer under rule 9 of the City Code on Takeovers and Mergers.

- (b) In relation to paragraph 3(a)(xi), it should be noted that this information may not be true, accurate, complete or up-to-date. In particular, but without limitation:
 - (i) there may be matters which should have been registered but which have not been registered or there may be a delay between the registration of those matters and the relevant entries appearing on the register of the relevant party;
 - (ii) there is no requirement to register with the Registrar of Companies notice of a petition for the winding-up of, or application for an administration order in respect of, a company. Such a notice or notice of a winding-up or administration order having been made, a resolution having been passed for the winding-up of a company or a receiver, manager, administrative receiver, administrator or liquidator having been appointed may not be filed with the Registrar of Companies immediately and there may be a delay in any notice appearing on the register of the relevant party;
 - (iii) the results of the Central Registry Enquiry relate only to petitions for the compulsory winding up of, or applications for an administration order in respect of, the Company presented prior to the enquiry and entered on the records of the Central Registry of Winding Up Petitions. The presentation of such a petition, or the making of such an application, may not have been notified to the Central Registry or entered on its records immediately or, if presented to a County Court or Chancery District Registry, at all; and
 - (iv) in each case, further information might have become available on the relevant register after the Searches were made.

4. **Opinions**

- (a) On the basis of the examination and enquiries referred to in paragraph 2 (*Examination and enquiries*) and the assumptions made in paragraph 3 (*Assumptions*) and subject to the qualifications set out in paragraph 5 (*Qualifications*), we are of the opinion that the Shares allotted and issued in connection with the vesting or exercise of Awards under any of the Schemes will, when the Company has received the aggregate issue price in respect of such Shares and the name of the relevant holder of such Shares is entered in the register of members of the Company, be validly issued, fully paid and no further amount may be called thereon.
- (b) This opinion is strictly limited to the matters expressly stated in this paragraph 4 and is not to be construed as extending by implication to any other matter.

5. **Qualifications**

- (a) The opinions set out in paragraph 4 (*Opinions*) are subject to the qualifications set out in the remainder of this paragraph 5.
- (b) We express no opinion as to matters of United Kingdom taxation or any liability to tax (including, without limitation, stamp duty and stamp duty reserve tax) which may arise or be incurred as a result of or in connection with the Shares, any of the Schemes or the transactions contemplated thereby, or as to tax matters generally.

- (c) The opinion set out in paragraph 4(a) (*Opinions*) relates only to Shares contemplated by the Registration Statement that are new ordinary shares issued by the Company from time to time in connection with the vesting or exercise of Awards under any of the Schemes following the date of the Registration Statement. We express no opinion in respect of any other securities of the Company.

6. **Law**

- (a) This opinion and any non-contractual obligations arising out of or in connection with this opinion shall be governed by, and construed in accordance with, English law.
- (b) This opinion relates only to English law as applied by the English courts as at today's date ("**Applicable Law**"). By "English law" we mean (except to the extent we make specific reference to an English law "conflict of law" (private international law) rule or principle) English domestic law on the assumption that English domestic law applies to all relevant issues. In construing any European Union directive or regulation, we have read only the English version.
- (c) In this opinion:
 - (i) "**IP completion day**" has the meaning given to it in the European Union (Withdrawal Agreement) Act 2020; and
 - (ii) "**Retained**", when used as a prefix to the description of any European Union regulation or other legislation, means that legislation as it applies under English Law as at the date of this opinion, taking into account:
 - (A) its having become part of English domestic law on and after IP completion day pursuant to the European Union (Withdrawal) Act 2018; and
 - (B) any modifications to it that have taken effect on or after IP completion day pursuant to the European Union (Withdrawal) Act 2018 or otherwise under English law (but not, for the avoidance of doubt, any modifications to it that have taken effect on or after IP completion day under European Union law).
- (d) Except to the extent, if any, specifically stated in it, this opinion takes no account of any proposed changes as at today's date in Applicable Law.
- (e) We express no opinion as to, and we have not investigated for the purposes of this opinion, the laws of any jurisdiction other than England. It is assumed that no foreign law which may apply to the matters contemplated by the Registration Statement, or any document relating to, or any party to, any transaction contemplated by the Registration Statement, would or might affect this opinion.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not admit that we are in the category of persons whose consent is required under section 7 of the Securities Act or the Rules.

Yours faithfully

/s/ Mayer Brown International LLP
Mayer Brown International LLP

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8) pertaining to the: i) Mereo BioPharma Group plc 2019 Equity Incentive Plan, as amended; ii) Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan, as amended, iii) Mereo BioPharma Group plc Share Option Scheme 2016, as amended; iv) Mereo BioPharma Group plc Deferred Bonus Share Plan 2016, as amended; v) Mereo BioPharma Group plc Long Term Incentive Plan 2016, as amended and vi) Mereo BioPharma Group Share Option Scheme 2015, as amended, of our report dated June 15, 2020, with respect to the consolidated financial statements of Mereo Biopharma Group plc included in its Annual Report (Form 20-F) for the year ended December 31, 2019, filed with the Securities and Exchange Commission.

/s/ Ernst & Young LLP

Reading, United Kingdom

January 15, 2021

MEREO BIOPHARMA GROUP PLC
2019 EQUITY INCENTIVE PLAN

As amended on February 13, 2020 and on January 15, 2021

Section 1. *Purpose.* The purpose of the Mereo BioPharma Group plc 2019 Equity Incentive Plan (the “**Plan**”) is to motivate and reward those employees of Mereo BioPharma Group plc (the “**Company**”) and its subsidiaries to perform at the highest level and to further the best interests of the Company and its shareholders. The Plan (excluding any sub-plan of the Plan) is intended to be an employees’ share scheme for the purposes of section 1166 of the UK Companies Act 2006. Capitalized terms not otherwise defined herein are defined in Section 21.

Section 2. *Eligibility.*

(a) Any employee of the Company or any of its subsidiaries (which, for this purpose, must be a subsidiary within the meaning of section 1159 of the UK Companies Act 2006) of the Company) shall be eligible to be selected to receive an Award under the Plan.

(b) Holders of equity compensation awards granted by a company acquired by the Company (or whose business is acquired by the Company) or with which the Company combines are eligible for grants of Replacement Awards under the Plan.

Section 3. *Administration.*

(a) The Plan shall be administered by the Committee. The Committee may designate one or more directors as a subcommittee who may act for the Committee if necessary to satisfy the requirements of this Section. The Committee may issue rules and regulations for administration of the Plan.

(b) Subject to the terms of the Plan and applicable law, the Committee (or its delegate) shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Replacement Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions of any Award; (v) determine whether, to what extent and under what circumstances Awards may be settled or exercised in cash, Shares, other Awards, other property, net settlement (including broker-assisted cashless exercise) or any combination thereof, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent and under what

circumstances cash, Shares, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee; (vii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (viii) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Company, its shareholders and Participants and any Beneficiaries thereof.

Section 4. *Shares Available for Awards.*

(a) Subject to adjustment as provided in Section 4(c), the aggregate number of Shares initially available for issuance under the Plan and the Mereo BioPharma Group plc 2019 Non-Employee Equity Incentive Plan (which is a sub-plan of the Plan and is attached hereto as Appendix A) shall not exceed 9,590,180 Shares. Beginning in the 2021 calendar year, the total number of Shares available for issuance under the Plan shall be increased on January 1st of each year in an amount equal to the lesser of (i) 5.31% of the Company's issued and outstanding Shares (which 5.31% limit shall be measured as of January 1st of such year) and (ii) such number of Shares as determined by the Committee in its discretion. Shares underlying Replacement Awards and Shares remaining available for grant under a plan of an acquired company or of a company with which the Company combines, appropriately adjusted to reflect the acquisition or combination transaction, shall not reduce the number of Shares remaining available for grant hereunder.

(b) For purposes of determining the number of Shares available for issuance under the Plan:

(i) all Shares covered by SARs shall be counted against the number of Shares available for issuance under the Plan; *provided, however,* that (A) SARs that may be settled only in cash shall not be so counted and (B) if the Company grants a SAR in tandem with an Option for the same number of Shares and provides that only one such Award may be exercised (a "**Tandem SAR**"), only the Shares covered by the Option, and not the Shares covered by the Tandem SAR, shall be so counted, and the expiration of one in connection with the other's exercise shall not restore Shares to the Plan;

(ii) to the extent that an Award may be settled only in cash, no Shares shall be counted against the number of Shares available for issuance under the Plan;

(iii) if any Award (A) expires or is terminated, surrendered or cancelled without having been fully exercised or is forfeited in whole or in part (including as the result of Shares subject to such Award being repurchased by the Company at or below the original issuance price pursuant to a contractual repurchase right) or (B) results in any Shares not being issued (including as a result of an Award that was settleable either in cash or in Shares actually being settled in cash), the unused Shares covered by such Award shall again be available for issuance under the Plan; *provided, however*, that (1) in the case of the exercise of a SAR, the number of Shares counted against the Shares available for issuance under the Plan shall be the full number of Shares subject to the SAR multiplied by the percentage of the SAR actually exercised, regardless of the number of Shares actually used to settle such SAR upon exercise and (2) the Shares covered by a Tandem SAR shall not again become available for issuance under the Plan upon the expiration or termination of such Tandem SAR;

(iv) Shares delivered (either by actual delivery, attestation, or net exercise) to the Company by a Participant to (i) exercise an Award or (ii) satisfy tax withholding obligations with respect to Options or SARs (including Shares retained from the Option or SAR creating the tax obligation) shall not be added back to the number of Shares available for issuance under the Plan; and

(v) Shares repurchased by the Company on the open market using the proceeds from the exercise of an Award shall not increase the number of Shares available for issuance under the Plan.

(c) In the event that, as a result of any dividend or other distribution (whether in the form of cash, Shares or other securities), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to acquire Shares or other securities of the Company, issuance of Shares pursuant to the anti-dilution provisions of securities of the Company, or other similar corporate transaction or event affecting the Shares, or of changes in applicable laws, regulations or accounting principles, an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan (an “**Adjustment Event**”), then the Committee shall, subject to Section 18, adjust equitably any or all of:

(i) the number and type of Shares (or other securities) which thereafter may be made the subject of Awards, including the aggregate and individual limits specified in Section 4(a);

(ii) the number and type of Shares (or other securities) subject to outstanding Awards; and

(iii) the grant, acquisition, exercise price with respect to any Award or, if deemed appropriate, make provision for a cash payment to the holder of an outstanding Award;

provided, however, that the number of Shares subject to any Award denominated in Shares shall always be a whole number.

(d) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or Shares acquired by the Company.

Section 5. *American Depositary Shares*. Notwithstanding anything herein to the contrary, the Committee may, in its discretion, make any Awards authorized hereunder subject to ADSs. In such cases, any applicable references hereunder to “Shares” shall be deemed references to “ADSs.”

Section 6. *Options*. The Committee is authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(a) The exercise price per Share under an Option shall be determined by the Committee; *provided, however*, that, except in the case of Replacement Awards, such exercise price shall not be less than the Fair Market Value of a Share on the date of grant of such Option.

(b) The term of each Option shall be fixed by the Committee but shall not exceed 10 years from the date of grant of such Option.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part.

(d) The Committee shall determine the methods by which, and the forms in which payment of the exercise price with respect thereto may be made or deemed to have been made, including cash, Shares, other Awards, other property, net settlement (including broker-assisted cashless exercise) or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price.

Section 7. *Stock Appreciation Rights*. The Committee is authorized to grant SARs to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(a) SARs may be granted under the Plan to Participants either alone (“freestanding”) or in addition to other Awards granted under the Plan (“tandem”).

(b) The exercise price per Share under a SAR shall be determined by the Committee; *provided, however*, that, except in the case of Replacement Awards, such exercise price shall not be less than the Fair Market Value of a Share on the date of grant of such SAR (or if granted in connection with an Option, on the grant date of such Option).

(c) The term of each SAR shall be fixed by the Committee but shall not exceed 10 years from the date of grant of such SAR.

(d) The Committee shall determine the time or times at which a SAR may be exercised or settled in whole or in part.

(e) Upon the exercise of a SAR, the Company shall pay to the Participant an amount equal to the number of Shares subject to the SAR multiplied by the excess, if any, of the Fair Market Value of one Share on the exercise date over the exercise price of such SAR. The Company shall pay such excess in cash, in Shares valued at Fair Market Value, or any combination thereof, as determined by the Committee.

Section 8. *Restricted Stock and RSUs*. The Committee is authorized to grant Awards of Restricted Stock and RSUs to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(a) The applicable Award Document shall specify the vesting schedule and, with respect to RSUs, the delivery schedule (which may include deferred delivery later than the vesting date) and whether the Award of Restricted Stock or RSUs is entitled to dividends or dividend equivalents, voting rights or any other rights.

(b) Shares of Restricted Stock and RSUs shall be subject to such restrictions as the Committee may impose (including any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend, dividend equivalent or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate. Without limiting the generality of the foregoing, if the Award relates to Shares on which dividends are declared during the period that the Award is outstanding, the Award shall not provide for the payment of such dividend (or a dividend equivalent) to the Participant prior to the time at which such Award, or applicable portion thereof, becomes nonforfeitable, unless otherwise provided in the applicable Award Document.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates. In the event that any stock certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock.

(d) The Committee may determine the form or forms (including cash, Shares, other Awards, other property or any combination thereof) in which payment of the amount owing upon settlement of any RSU Award may be made.

Section 9. *Performance Awards.* The Committee is authorized to grant Performance Awards to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine.

(a) Performance Awards may be denominated as a cash amount, a number of Shares or a combination thereof and are Awards which may be earned upon achievement or satisfaction of performance conditions specified by the Committee. In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled, and the timing thereof, upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions. Subject to the terms of the Plan, the performance goals to be achieved during any Performance Period, the length of any Performance Period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee. If the Performance Award relates to Shares on which dividends are declared during the Performance Period, the Performance Award shall not provide for the payment of such dividend (or dividend equivalent) to the Participant prior to the time at which such Performance Award, or the applicable portion thereof, is earned.

(b) Performance criteria may be measured on an absolute (*e.g.*, plan or budget) or relative basis, and may be established on a corporate-wide basis or with respect to one or more business units, divisions, subsidiaries or business segments. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices. If the Committee determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which the Company conducts its business, or other events or circumstances render the performance objectives unsuitable, the Committee may modify the minimum

acceptable level of achievement, in whole or in part, as the Committee deems appropriate and equitable. Performance objectives may be adjusted for material items not originally contemplated in establishing the performance target for items resulting from discontinued operations, extraordinary gains and losses, the effect of changes in accounting standards or principles, acquisitions or divestitures, changes in tax rules or regulations, capital transactions, restructuring, nonrecurring gains or losses or unusual items. Performance measures may vary from Performance Award to Performance Award, and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative. The Committee shall have the power to impose such other restrictions on Awards subject to this Section 9(b) as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements of any applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

(c) *Settlement of Performance Awards; Other Terms.* Settlement of Performance Awards shall be in cash, Shares, other Awards, other property, net settlement or any combination thereof, as determined in the discretion of the Committee. Performance Awards will be settled only after the end of the relevant Performance Period. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with a Performance Award.

Section 10. *Other Share-Based Awards.* The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of Shares, including convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, acquisition rights for Shares, Awards with value and payment contingent upon performance of the Company or business units thereof or any other factors designated by the Committee. The Committee shall determine the terms and conditions of such Awards.

Section 11. *Effect of Termination of Service or a Change in Control on Awards.*

(a) The Committee may provide, by rule or regulation or in any Award Document, or may determine in any individual case, the circumstances in which, and the extent to which, an Award may be exercised, settled, vested, paid or forfeited in the event of a Participant's Termination of Service prior to the vesting, exercise or settlement of such Award or the end of a Performance Period.

(b) In the event of a Change in Control, outstanding Awards shall be treated as described below.

(i) If in connection with the Change in Control, any outstanding Award is continued in effect or converted into an award or right with respect to stock of the successor or surviving corporation (or a parent or subsidiary thereof) (in the case of Options and SARs awarded to a Participant to whom Section 18 applies, in a manner that complies with Sections 424 and 409A of the Code if those sections apply to the Award), then upon the occurrence of a Termination of Service of a Participant by the Company without Cause within 24 months following the Change in Control, on the date of such Termination of Service, such Award held by such Participant shall immediately vest and settle, and with respect to Options and SARs, shall become exercisable and shall remain exercisable for one year.

(ii) If outstanding Awards are not continued or converted as described in subsection (i) above, then on the Change in Control, such Awards shall immediately vest and settle and, in the case of Options and SARs, shall become fully exercisable.

For purposes of subsections (i) and (ii) above, no Option, SAR, Restricted Stock or RSU shall be treated as “continued or converted” on a basis consistent with the requirements of subsection (i) or (ii), as applicable, unless the stock underlying such award after such continuation or conversion consists of securities of a class that is widely held and publicly traded on a recognized United States or International securities exchange.

(c) In addition, in the event of a Change in Control or other Adjustment Event and to the extent permitted under applicable law and not inconsistent with the provisions of Section 11(a) above or the applicable Award Document, the Committee, in its sole discretion, and on such terms and conditions as it deems appropriate, either by the terms of the Award or by action taken prior to the occurrence of such Change in Control or other Adjustment Event, may take any one or more of the following actions whenever the Committee determines that such action is appropriate or desirable in order to prevent the dilution or enlargement of the benefits intended to be made available under the Plan or to facilitate the Change in Control transaction or other Adjustment Event:

(i) to terminate or cancel any outstanding Award in exchange for a cash payment (and, for the avoidance of doubt, if as of the date of the Change in Control or other Adjustment Event, the Committee determines that no amount would have been realized upon the exercise of the Award or other realization of the Participant’s rights, then the Award may be cancelled by the Company without payment of consideration);

(ii) to provide for the assumption, substitution, replacement or continuation of any Award by the successor or surviving corporation (or a parent or subsidiary thereof) with cash, securities, rights or other property

to be paid or issued, as the case may be, by the successor or surviving corporation (or a parent or subsidiary thereof), and to provide for appropriate adjustments with respect to the number and type of securities (or other consideration) of the successor or surviving corporation (or a parent or subsidiary thereof), subject to any replacement awards, the terms and conditions of the replacement awards (including, without limitation, any applicable performance targets or criteria with respect thereto) and the grant, exercise or purchase price per share for the replacement awards;

(iii) to make any other adjustments in the number and type of securities (or other consideration) subject to outstanding Awards and in the terms and conditions of outstanding Awards (including the grant or exercise price and performance criteria with respect thereto) and Awards that may be granted in the future;

(iv) to provide that any Award shall be accelerated and become exercisable, payable and/or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Document; and

(v) to provide that any Award shall not vest, be exercised or become payable as a result of such event.

Section 12. *General Provisions Applicable to Awards.*

(a) Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law unless otherwise determined by the Committee.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Company. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Company, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan and Section 18, payments or transfers to be made by the Company upon the grant, exercise or settlement of an Award may be made in the form of cash, Shares, other Awards, other property, net settlement or any combination thereof, as determined by the Committee in its discretion, and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Except as may be permitted by the Committee or as specifically provided in an Award Document, (i) no Award and no right under any Award shall be assignable, alienable, saleable or transferable by a Participant otherwise than by will or pursuant to Section 12(e) and (ii) during a Participant's lifetime, each Award, and each right under any Award, shall be exercisable only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. The provisions of this Section 12(d) shall not apply to any Award that has been fully exercised or settled, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) A Participant may designate a Beneficiary or change a previous Beneficiary designation at such times prescribed by the Committee by using forms and following procedures approved or accepted by the Committee for that purpose.

(f) All certificates for Shares and/or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission, any stock market or exchange upon which such Shares or other securities are then quoted, traded or listed, and any applicable securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) Without limiting the generality of Section 12(h), the Committee may impose restrictions on any Award with respect to noncompetition, confidentiality and other restrictive covenants, or requirements to comply with minimum stock ownership requirements, as it deems necessary or appropriate in its sole discretion.

(h) The Committee may specify in an Award Document that the Participant's rights, payments and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include a Termination of Service with or without Cause (and, in the case of any Cause that is resulting from an indictment or other non-final determination, the Committee may provide for such Award to be held in escrow or abeyance until a final resolution of the matters related to such event occurs, at which time the Award shall either be reduced, cancelled or forfeited (as provided in such Award Document) or remain in effect, depending on the outcome), violation of material policies, breach of noncompetition, confidentiality or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

(i) Rights, payments and benefits under any Award shall be subject to repayment to or recoupment (“clawback”) by the Company in accordance with such policies and procedures as the Committee or Board may adopt from time to time, including policies and procedures to implement applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations.

Section 13. *Amendments and Termination.*

(a) Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Document or in the Plan, the Board may amend, alter, suspend, discontinue or terminate the Plan or any portion thereof at any time; *provided, however*, that no such amendment, alteration, suspension, discontinuation or termination shall be made without (i) shareholder approval, if such approval is required by applicable law or the rules of the stock market or exchange, if any, on which the Shares are principally quoted or traded or (ii) the consent of the affected Participant, if such action would materially adversely affect the rights of such Participant under any outstanding Award, except to the extent any such amendment, alteration, suspension, discontinuance or termination is made to cause the Plan to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations, or to impose any recoupment provisions on any Awards in accordance with Section 12(i). Notwithstanding anything to the contrary in the Plan, the Committee may amend the Plan in such manner as may be necessary to enable the Plan to achieve its stated purposes in any jurisdiction in a tax-efficient manner and in compliance with local laws, rules and regulations.

(b) The Committee may waive any conditions or rights under, amend any terms of, or amend, alter, suspend, discontinue or terminate any Award theretofore granted, prospectively or retroactively, without the consent of any relevant Participant or holder or Beneficiary of an Award; *provided, however*, that, subject to Section 4(c) and Section 18, no such action shall materially adversely affect the rights of any affected Participant or holder or Beneficiary under any Award theretofore granted under the Plan, except to the extent any such action is made to cause the Plan to comply with applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations, or to impose any recoupment provisions on any Awards in accordance with Section 12(i); *provided further* that, except as provided in Section 4(c), the Committee shall not without the approval of the Company’s shareholders (a) lower the exercise price per Share of an Option or SAR after it is granted or take any other action that would be treated as a repricing of such Award under the rules of the principal stock market or exchange on which the Company’s Shares are quoted or traded, or (b) cancel an Option or SAR when the exercise price per Share exceeds the Fair Market Value in exchange for cash or another Award (other than in connection with a Change in Control).

(c) Except as provided in Section 9(b), the Committee shall be authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of events (including the events described in Section 4(c)) affecting the Company, or the financial statements of the Company, or of changes in applicable law, stock market or exchange rules and regulations or accounting or tax rules and regulations, whenever the Committee determines that such adjustments are appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan.

(d) The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

Section 14. *Prohibition on Option and SAR Repricing.* Except as provided in Section 4(c), the Committee may not, without prior approval of the Company's shareholders, seek to effect any re-pricing of any previously granted "underwater" Option or SAR by: (i) amending or modifying the terms of the Option or SAR to lower the exercise price; (ii) cancelling the underwater Option or SAR and granting either (A) replacement Options or SARs having a lower exercise price or (B) Restricted Stock, RSU, Performance Award or Other Share-Based Award in exchange; or (iii) cancelling or repurchasing the underwater Options or SARs for cash or other securities. An Option or SAR will be deemed to be "underwater" at any time when the Fair Market Value of the Shares covered by such Award is less than the exercise price of the Award.

Section 15. *Miscellaneous.*

(a) No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants or holders or Beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. Any Award granted under the Plan shall be a one-time Award that does not constitute a promise of future grants. The Company, in its sole discretion, maintains the right to make available future grants under the Plan.

(b) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or to continue to provide services to, the Company or any Affiliate. Further, the Company or the applicable subsidiary may at any time dismiss a Participant, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Document or in any other agreement binding the parties. The receipt of any Award under the Plan is not intended to confer any rights on the receiving Participant except as set forth in the applicable Award Document.

(c) Nothing contained in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) The Company shall be authorized to withhold from any Award granted or any payment due or transfer made under any Award or under the Plan or from any compensation or other amount owing to a Participant the amount (in cash, Shares, other Awards, other property, net settlement or any combination thereof) of applicable withholding taxes or par value amounts (to the extent required to be paid in cash) due in respect of an Award, its exercise or settlement or any payment or transfer under such Award or under the Plan and to take such other action (including providing for elective payment of such amounts in cash or Shares by the Participant) as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes or par value amounts (to the extent required to be paid in cash).

(e) If any provision of the Plan or any Award Document is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award Document, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award Document shall remain in full force and effect.

(f) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company.

(g) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(h) Awards may be granted to Participants who are non-US nationals or employed outside the US, or both, on such terms and conditions different from those applicable to Awards to Participants who are employed in the US as may, in the judgment of the Committee, be necessary or desirable to recognize differences in local law, tax policy or custom. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Participants on assignments outside their home country.

Section 16. *Effective Date of the Plan.* The Plan is effective as of the Effective Date.

Section 17. *Term of the Plan.* No Award shall be granted under the Plan after the earliest to occur of (i) the ten-year anniversary of the Effective Date; *provided* that to the extent permitted by the listing rules of any stock exchanges on which the Company is listed, such ten-year term may be extended indefinitely so long as the maximum number of Shares available for issuance under the Plan have not been issued, (ii) the maximum number of Shares available for issuance under the Plan have been issued or (iii) the Board terminates the Plan in accordance with Section 13(a). However, unless otherwise expressly provided in the Plan or in an applicable Award Document, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

Section 18. *Section 409A of the Code.* With respect to Awards subject to Section 409A of the Code, the Plan is intended to comply with the requirements of Section 409A of the Code, and the provisions of the Plan and any Award Document shall be interpreted in a manner that satisfies the requirements of Section 409A of the Code, and the Plan shall be operated accordingly. If any provision of the Plan or any term or condition of any Award would otherwise frustrate or conflict with this intent, the provision, term or condition will be interpreted and deemed amended so as to avoid this conflict. If an amount payable under an Award as a result of the Participant's Termination of Service (other than due to death) occurring while the Participant is a "specified employee" under Section 409A of the Code constitutes a deferral of compensation subject to Section 409A of the Code, then payment of such amount shall not occur until six months and one day after the date of the Participant's Termination of Service, except as permitted under Section 409A of the Code. If the Award includes a "series of installment payments" (within the meaning of Section 1.409A-2(b)(2)(iii) of the Treasury Regulations), the Participant's right to the series of installment payments shall be treated as a right to a series of separate payments and not as a right to a single payment, and if the Award includes "dividend equivalents" (within the meaning of Section 1.409A-3(e) of the Treasury Regulations), the Participant's right to the dividend equivalents shall be treated separately from the right to other amounts under the Award. Notwithstanding the foregoing, the tax treatment of the benefits provided under the Plan or any Award Document is not warranted or guaranteed, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Participant on account of non-compliance with Section 409A of the Code.

Section 19. *Data Protection.* By participating in the Plan, the Participant consents to the holding and processing of personal information provided by the Participant to the Company or any Affiliate, trustee or third party service provider, for all purposes relating to the operation of the Plan. These include, but are not limited to:

- (i) administering and maintaining Participant records;
- (ii) providing information to the Company, Affiliates, trustees of any employee benefit trust, registrars, brokers or third party administrators of the Plan;
- (iii) providing information to future purchasers or merger partners of the Company or any Affiliate, or the business in which the Participant works; and
- (iv) transferring information about the Participant to any country or territory that may not provide the same protection for the information as the Participant's home country.

Section 20. *Governing Law.* The Plan and each Award Document shall be governed by the laws of England and Wales. The Company, its Affiliates and each Participant (by acceptance of an Award) irrevocably submit, in respect of any suit, action or proceeding related to the implementation or enforcement of the Plan, to the exclusive jurisdiction of the competent courts in England and Wales.

Section 21. *Definitions.* As used in the Plan, the following terms shall have the meanings set forth below:

- (a) “**ADS**” means an American Depositary Share, representing five (5) Shares.
- (b) “**Affiliate**” means (i) any entity that, directly or indirectly, is controlled by the Company, (ii) any entity in which the Company, directly or indirectly, has a significant equity interest, in each case as determined by the Committee and (iii) any other entity which the Committee determines should be treated as an “Affiliate.”
- (c) “**Award**” means any Option, SAR, Restricted Stock, RSU, Performance Award or Other Share-Based Award granted under the Plan.
- (d) “**Award Document**” means any agreement, contract or other instrument or document, which may be in electronic format, evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(e) “**Beneficiary**” means a person entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant’s death. If no such person is named by a Participant, or if no Beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant’s death, such Participant’s Beneficiary shall be such Participant’s estate.

(f) “**Board**” means the board of directors of the Company.

(g) “**Cause**” means, except as otherwise provided in such Participant’s Award Document, such Participant’s:

(i) indictment for any crime (A) constituting a felony, or (B) that has, or could reasonably be expected to result in, an adverse impact on the performance of a Participant’s duties to the Company or any of its subsidiaries, or otherwise has, or could reasonably be expected to result in, an adverse impact to the business or reputation of the Company or any of its subsidiaries;

(ii) having been the subject of any order, judicial or administrative, obtained or issued by the Securities and Exchange Commission (or any other competent authority) for any securities violation involving fraud, including, for example, any such order consented to by the Participant in which findings of facts or any legal conclusions establishing liability are neither admitted nor denied;

(iii) conduct, in connection with his or her employment, which is not taken in good faith and has, or could reasonably be expected to result in, material injury to the business or reputation of the Company or any of its subsidiaries;

(iv) willful violation of the Company’s code of conduct or other material policies set forth in the manuals or statements of policy of the Company or any of its subsidiaries;

(v) willful neglect in the performance of a Participant’s duties for the Company or any of its subsidiaries or willful or repeated failure or refusal to perform such duties;

(vi) material breach of any applicable employment agreement or other agreement with the Company or any of its subsidiaries; or

(vii) conduct, in connection with his or her employment.

The occurrence of any such event described in clauses (ii) through (v) that is susceptible to cure or remedy shall not constitute Cause if such Participant cures or remedies such event within 30 (thirty) days after the Company provides notice to such Participant.

(h) “**Change in Control**” means the occurrence of any one or more of the following events:

(i) a direct or indirect change in ownership or control of the Company effected through one transaction or a series of related transactions within a 12-month period, whereby any Person other than the Company, directly or indirectly acquires or maintains beneficial ownership of securities of the Company constituting more than 50% of the total combined voting power of the Company’s equity securities outstanding immediately after such acquisition;

(ii) at any time during a period of 12 consecutive months, individuals who at the beginning of such period constituted the Board cease for any reason to constitute a majority of members of the Board; *provided, however*, that any new member of the Board whose election or nomination for election was approved by a vote of at least a majority of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was so approved, shall be considered as though such individual were a member of the Board at the beginning of the period, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) the consummation of a merger or consolidation of the Company or any of its subsidiaries with any other corporation or entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or, if applicable, the ultimate parent thereof) at least 50% of the combined voting power and total fair market value of the securities of the Company or such surviving entity or parent outstanding immediately after such merger or consolidation; or

(iv) the consummation of any sale, lease, exchange or other transfer to any Person (other than an Affiliate of the Company), in one transaction or a series of related transactions within a 12-month period, of all or substantially all of the assets of the Company and its subsidiaries.

Notwithstanding the foregoing or any provision of any Award Document to the contrary, for any Award to which Section 18 applies that provides for accelerated distribution on a Change in Control of amounts that constitute “deferred compensation” (as defined in Section 409A of the Code), if the event that constitutes such Change in Control does not also constitute a change in the

ownership or effective control of the Company, or in the ownership of a substantial portion of the Company's assets (in either case, as defined in Section 409A of the Code), such amount shall not be distributed on such Change in Control but instead shall vest as of the date of such Change in Control and shall be paid on the scheduled payment date specified in the applicable Award Document, except to the extent that earlier distribution would not result in the Participant who holds such Award incurring any additional tax, penalty, interest or other expense under Section 409A of the Code.

(i) "**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time, and the rules, regulations and guidance thereunder. Any reference to a provision in the Code shall include any successor provision thereto.

(j) "**Committee**" means the Remuneration Committee of the Board or such other committee as may be designated by the Board. If the Board does not designate the Committee, references herein to the "Committee" shall refer to the Board.

(k) "**Disability**" means total and permanent disability as determined by the Committee in its discretion in accordance with uniform and non-discriminatory standards adopted by the Committee from time to time, or such other definition as is required under applicable law.

(l) "**Effective Date**" means April 4, 2019.

(m) "**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended from time to time, and the rules, regulations and guidance thereunder. Any reference to a provision in the Exchange Act shall include any successor provision thereto.

(n) "**Fair Market Value**" on a date means (i) with respect to a Share or ADS, as applicable, the closing price of a Share or ADS, as applicable, on the last preceding date on which there was a reported sale on the principal stock market or exchange on which the Shares or ADSs, as applicable, are quoted or traded, or if Shares or ADSs, as applicable, are not so quoted or traded, the fair market value of a Share or ADS, as applicable, as determined by the Committee, and (ii) with respect to any property other than Shares or ADSs, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

(o) "**Option**" means an option representing the right to acquire Shares from the Company, granted in accordance with the provisions of Section 6.

(p) "**Other Share-Based Award**" means an Award granted in accordance with the provisions of Section 10.

(q) “**Participant**” means the recipient of an Award granted under the Plan.

(r) “**Performance Award**” means an Award granted in accordance with the provisions of Section 9.

(s) “**Performance Period**” means the period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are measured.

(t) “**Person**” means a natural person or a partnership, company, association, cooperative, mutual insurance society, foundation or any other body which operates externally as an independent unit or organisation.

(u) “**Replacement Award**” means an Award granted in assumption of, or in substitution for, an outstanding award previously granted by a company or business acquired by the Company or with which the Company, directly or indirectly, combines.

(v) “**Restricted Stock**” means any Share granted in accordance with the relevant provisions of Section 8.

(w) “**RSU**” means a contractual right granted in accordance with the relevant provisions of Section 8 that is denominated in Shares. Each RSU represents a right to receive the value of one Share. Awards of RSUs may include the right to receive dividend equivalents.

(x) “**SAR**” means any right granted in accordance with the provisions of Section 7 to receive upon exercise by a Participant or settlement the excess of (i) the Fair Market Value of one Share on the date of exercise or settlement over (ii) the exercise price of the right on the date of grant, or if granted in connection with an Option, on the date of grant of the Option.

(y) “**Share**” means an ordinary share, £0.003 par value, of the Company.

(z) “**Termination of Service**” means a cessation of the employment relationship such that the Participant is no longer an employee of the Company or one of its subsidiaries; *provided, however*, that the transfer of employment from the Company to a subsidiary, from a subsidiary to the Company or from one subsidiary to another subsidiary shall not be deemed a cessation of service that would constitute a Termination of Service; and *provided further*, that a Termination of Service will be deemed to occur for a Participant employed by a subsidiary when a subsidiary ceases to be a subsidiary, unless such Participant’s employment continues with the Company or another subsidiary; and *provided further* that, for these purposes, a Participant who holds an office with the Company or one of its subsidiaries shall be deemed to be an employee of that Company whether or not he or she is otherwise such an employee.

MEREO BIOPHARMA GROUP PLC
2019 NON-EMPLOYEE EQUITY INCENTIVE PLAN

(THE “NON-EMPLOYEE PLAN”)

As amended on February 13, 2020 and on January 15, 2021

Section 1. Introduction.

(a) The Non-Employee Plan is a sub-plan of the Mereo BioPharma Group plc 2019 Equity Incentive Plan (the “**Plan**”) and permits the grant of Awards to officers of the Company or any subsidiary of the Company who are not employees (as at the time of the relevant grant) of any such company.

(b) For the avoidance of doubt, the Non-Employee Plan (i) shall not prejudice the status of the Plan as an employees’ share scheme within the meaning of section 1166 of the UK Companies Act 2006 and (ii) operates separately from the Plan.

Section 2. Definitions and Interpretation

(a) In the Non-Employee Plan, words and expressions used in the Plan shall, unless otherwise specified below, apply in relation to Awards granted under the Non-Employee Plan.

(b) Save as modified in the Non-Employee Plan, all the provisions of the Plan relevant to Awards shall be incorporated into the Non-Employee Plan as if fully set out herein so as to be part of the Non-Employee Plan.

(c) These rules of the Non-Employee Plan take precedence if there is any inconsistency between them and the rules of the Plan.

(d) In these rules of the Non-Employee Plan, “**Termination of Service**” means the Participant ceasing to be an officeholder or employee of the Company or one of its subsidiaries such that they are no longer an officeholder or employee of any such company; provided that, for avoidance of doubt, a Termination of Service will be deemed to occur if a subsidiary of which the Participant is an officeholder or employee ceases to be a subsidiary, unless they remain an officeholder or employee of the Company or another subsidiary.

(e) In these rules of the Non-Employee Plan, whenever the terms “**employee**” or “**employment**” are otherwise used in the context of matters following the grant of an Award, they shall be construed in the context of that person being an officeholder.



**Rules of the Mereo BioPharma
Group plc Share Option Scheme**

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 4 April 2017, 20 March 2018 and 3 December 2020

Expiry date: 9 June 2026

CONTENTS

RULES OF THE MEREIO BIOPHARMA GROUP PLC SHARE OPTION SCHEME	3
1. DEFINITIONS AND INTERPRETATION	3
2. GRANT OF OPTIONS	5
3. PERFORMANCE CONDITIONS	5
4. RESTRICTIONS ON TRANSFER AND BANKRUPTCY	5
5. INDIVIDUAL LIMIT	5
6. VESTING AND EXERCISE	5
7. TAXATION AND REGULATORY ISSUES	6
8. CASH EQUIVALENT/NET SETTLEMENT	6
9. CESSATION OF EMPLOYMENT	7
10. CORPORATE EVENTS	7
11. ADJUSTMENTS	9
12. AMENDMENTS	9
13. LEGAL ENTITLEMENT	9
14. GENERAL	10
APPENDIX	11

RULES OF THE MEROE BIOPHARMA GROUP PLC SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless otherwise stated, the words and expressions below have the following meanings:

“Admission Date”	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
“ADS”	means an American Depository Share, representing five (5) Shares;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“AIM Rules”	the rules of AIM, as amended from time to time;
“Board”	subject to rule 10.9, the board of directors of the Company or any duly authorised committee of the board;
“Company”	Mereo BioPharma Group Plc registered in England and Wales under number 9481161;
“Control”	the meaning given by section 995 of the Income Tax Act 2007;
“Dealing Day”	any day on which the London Stock Exchange is open for business;
“Dealing Restrictions”	restrictions imposed by the Company’s share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
“Eligible Employee”	an employee (including an executive director) of the Company or any of its Subsidiaries;
“Exercise Period”	the period during which an Option may be exercised;
“Exercise Price”	the price per Share payable to exercise an Option as determined by the Board in accordance with rule 2.5, as adjusted from time to time in accordance with the rules of the Scheme;
“Grant Date”	the date on which an Option is granted;
“Group Member”	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company’s holding company or a Subsidiary of the Company’s holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and “Group” will be construed accordingly;
“HMRC”	HM Revenue & Customs;
“Internal Reorganisation”	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;

“Market Value”	the market value determined by the Board on the relevant date;
“Normal Vesting Date”	the date on which the Board determines, on or prior to the Grant Date that an Option will normally Vest, or to the extent that the Option is subject to a Vesting Schedule, the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Option as set out in the Vesting Schedule;
“Option”	a right to acquire Shares in accordance with the rules of the Scheme during an Exercise Period;
“Participant”	any person who holds an Option or following his death, his personal representatives;
“Performance Period”	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
“Performance Condition”	a condition or conditions imposed under rule 3.1 which relates to performance;
“Scheme”	the Mereo BioPharma Group Plc Share Option Scheme in its present form or as from time to time amended;
“Share”	a fully paid ordinary share in the capital of the Company or an American Depository Share representing such a share or a number of such shares;
“Subsidiary”	the meaning given by section 1159 of the Companies Act 2006;
“Tax Liability”	any tax or social security contributions liability in connection with an Option for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
“Trustee”	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
“UKLA”	the United Kingdom Listing Authority or any successor body;
“Vest”	the point at which an Option becomes capable of exercise and “Vesting” , “Vested” and “Vesting Date” will be construed accordingly; and
“Vesting Schedule”	in relation to an Option that is divided into tranches, the series of Normal Vesting Dates on which the Board determines on the Grant Date that those tranches will usually normally Vest.

1.2 References in the Scheme to:

- 1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;
- 1.2.2 the singular include the plural and vice versa; and
- 1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Scheme.

2. GRANT OF OPTIONS

2.1 Subject to rule 2.2, the Board may grant an Option to an Eligible Employee in its discretion subject to the rules of the Scheme and upon such additional terms as the Board may determine.

2.2 The grant of an Option will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Options must be granted by deed and, as soon as practicable after the Grant Date, Participants must be notified of the terms of their Option, including any Performance Condition.

2.4 No Option may be granted under the Scheme after the tenth anniversary of the Admission Date.

2.5 On the grant of an Option, the Board will determine the Exercise Price which applies to that Option which may not be less than the greater of:

2.5.1 the Market Value of a Share on the Grant Date; and

2.5.2 if the Shares are to be subscribed, the nominal value of a Share.

2.6 The Exercise Price applying to an Option may be adjusted in accordance with rule 11.

3. PERFORMANCE CONDITIONS

3.1 The Board may determine that the Vesting of Options will be subject to the satisfaction of a Performance Condition. Subject to rules 9 and 10, the Performance Condition will be measured over the Performance Period.

3.2 The Board may amend or substitute any Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially less difficult to satisfy.

4. RESTRICTIONS ON TRANSFER AND BANKRUPTCY

4.1 Unless the Board determines otherwise, an Option must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Option will lapse immediately if the Participant is declared bankrupt, or if the Participant is outside the UK, any analogous event occurs.

5. INDIVIDUAL LIMIT

5.1 No Eligible Employee may be granted Options which would, at the time they are granted, cause the Market Value of all the Shares subject to Options granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 400% of salary, and to the extent any Option exceeds this limit it will be scaled back accordingly.

6. VESTING AND EXERCISE

6.1 As soon as reasonably practicable after the end of any Performance Period relating to an Option, the Board will determine if and to what extent the Performance Condition has been met. To the extent that it has not been satisfied in full, the remainder of the Option will lapse immediately.

6.2 Subject to rules 7.2, 9 and 10, an Option will Vest:

6.2.1 on the Normal Vesting Date; or

6.2.2 if on the Normal Vesting Date (or on any other date on which an Option is due to Vest under rule 9 or 10) a Dealing Restriction applies to the Option, on the date on which such Dealing Restriction lifts; and

and an Option may then be exercised during the period ending on the tenth anniversary of the Grant Date (or such shorter period as the Board may determine on or prior to the Grant Date), after which time it will lapse.

6.3 Subject to rules 7 and 8, an Option may be exercised pursuant to this rule 6 or rules 9 and 10 in such form and manner as the Board may determine, provided that exercise of an Option will not take effect until the Company receives:

6.3.1 notice of exercise of the Option; and

6.3.2 payment of the aggregate Exercise Price (or an undertaking to pay that amount).

6.4 Subject to rules 7 and 8, where an Option has been exercised, the number of Shares in respect of which it has been exercised will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

7. TAXATION AND REGULATORY ISSUES

7.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Option. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Option to realise an amount equal to the Tax Liability.

7.2 The exercise of an Option and the issue or transfer of Shares under the Scheme will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

8. CASH EQUIVALENT/NET SETTLEMENT

8.1 Subject to rule 8.5, at any time prior to the date on which Shares in respect of which an Option has been exercised have been issued or transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Option relates, the Participant will instead receive a cash sum in accordance with rule 8.2 or a reduced number of Shares in accordance with rule 8.3.

8.2 A cash sum to which a Participant becomes entitled under this rule 8.2 will be equal to the Market Value of that number of the Shares which would otherwise have been issued or transferred, less the aggregate Exercise Price payable in respect of the exercise of the Option in relation to those Shares and for these purposes:

8.2.1 Market Value will be determined on the date of exercise; and

8.2.2 the cash sum will be paid to the Participant as soon as reasonably practicable after exercise of the Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.

8.3 The number of Shares to which a Participant becomes entitled under this rule 8.3 will be such number of Shares as have a Market Value equal to the amount by which the Market Value of that number of the Shares which would otherwise have been issued or transferred exceeds the aggregate Exercise Price and/or Tax Liability payable in respect of the exercise of the Option in relation to those Shares. For these purposes Market Value will be determined on the date of exercise.

8.4 Any Exercise Price paid by a Participant will be refunded to him to the extent an Option he has exercised is settled by a payment of cash in accordance with rule 8.2 or delivery of Shares in accordance with rule 8.3.

8.5 The Board may determine that this rule 8 will not apply to an Option, or any part of it.

9. CESSATION OF EMPLOYMENT

Bad leavers

9.1 If a Participant ceases to hold office or employment with a Group Member as a result his termination for gross misconduct, any Option that he holds (whether or not Vested) will lapse at that time.

Good leavers

9.2 If a Participant ceases to hold office or employment with a Group Member for any reason other than as a result of his termination for gross misconduct:

9.2.1 to the extent that his Option has Vested on the date of such cessation, it will be exercisable from the date of cessation in accordance with rule 9.3; and

9.2.2 to the extent that his Option has not Vested on the date of such cessation, it will become exercisable on the Normal Vesting Date (unless the Board determines that it will be exercisable on the date of cessation) in accordance with rule 9.3 to the extent determined by the Board (taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation).

To the extent that an Option does not Vest, the remainder will lapse immediately.

9.3 An Option may, subject to rule 8, then be exercised for a period of six months or, in the case of the Participant's death, 12 months (or such other period as the Board may determine) from the date of cessation (where rule 9.2.1 applies or where the Board has determined that it will be exercisable on the date of cessation pursuant to rule 9.2.2) or the Normal Vesting Date (where rule 9.2.2 applies) after which time it will lapse.

9.4 For the purposes of the Scheme, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:

9.4.1 an office or employment; or

9.4.2 a right to return to work

with any Group Member.

10. CORPORATE EVENTS

10.1 Where any of the events described in rule 10.3 occur, then subject to rules 10.6 and 10.8, all Options which have not yet Vested will Vest in accordance with rule 10.2 at the time of such event. Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such longer period as the Board may determine, not exceeding six months) from the date of the relevant event, after which time all Options will lapse.

10.2 The number of Shares in respect of which an Option will Vest pursuant to rule 10.1 will be determined by the Board taking into account the extent to which any Performance Condition has been satisfied and unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 10.6 and 10.8, the remainder will lapse immediately.

10.3 The events referred to in rule 10.1 are:

10.3.1 General offer

If any person (either alone or together with any person acting in concert with him):

- i) obtains Control of the Company as a result of making a general offer to acquire Shares; or
- ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him

and such offer becomes wholly unconditional.

10.3.2 Scheme of arrangement

A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.

10.4 Winding-up

On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding up of the Company, the Board will determine:

- 10.4.1 whether and to what extent Options which have not yet Vested will Vest taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and
- 10.4.2 the period during which a Vested Option may be exercised, after which time it will lapse. To the extent that an Option does not Vest, it will lapse immediately.

10.5 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event which, in the opinion of the Board, may affect the current or future value of Shares the Board may determine:

- 10.5.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and
- 10.5.2 the period of time during which any Vested Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

10.6 Exchange — unvested Options

An unvested Option will not Vest under rule 10.1 but will be exchanged on the terms set out in rule 10.8 to the extent that:

- 10.6.1 an offer to exchange the Option is made and accepted by a Participant; or
- 10.6.2 there is an Internal Reorganisation.

10.7 Exchange — Vested Options

Where there is an Internal Reorganisation, unless the Board determines otherwise, a Vested Option will not lapse under rule 10.1 but will be exchanged on the terms set out in rule 10.8.

10.8 Exchange terms

If this rule 10.8 applies, the Option will be released in consideration of the grant of a new option (“New Option”) which, in the opinion of the Board, is equivalent to the Option, but relates to shares in a different

company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Scheme will be construed in relation to the New Option as if:

- 10.8.1 the New Option were an Option granted under the Scheme at the same time as the Option;
- 10.8.2 references to the Company were references to the company whose shares are subject to the New Option; and
- 10.8.3 references to Shares were references to shares in the company whose shares are subject to the New Option.

10.9 Meaning of Board

Any reference to the Board in this rule 10 means the members of the Board immediately prior to the relevant event.

11. ADJUSTMENTS

11.1 The number of Shares subject to an Option and/or the Exercise Price may be adjusted in such manner as the Board determines, in the event of:

- 11.1.1 any variation of the share capital of the Company; or
- 11.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the Board's opinion, affect the current or future value of Shares.

The Board may also adjust any Performance Condition.

12. AMENDMENTS

12.1 Except as described in this rule 12 the Board may at any time amend the rules of the Scheme.

12.2 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 12.1 unless:

- 12.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and
- 12.2.2 the amendment is approved by a majority of those Participants who have so indicated.

12.3 No amendment will be made under this rule 12 if it would prevent the Scheme from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

13. LEGAL ENTITLEMENT

13.1 This rule 13 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

13.2 Nothing in the Scheme or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Scheme. Participation in the Scheme does not create any right to continued employment with a Group Member for any Participant.

13.3 The grant of any Option to a Participant does not create any right for that Participant to be granted any further Options or to be granted Options on any particular terms, including the number of Shares to which Options relate.

13.4 By Participating in the Scheme, a Participant waives all rights to compensation for any loss in relation to the Scheme, including:

- 13.4.1 any loss or reduction of any rights or expectations under the Scheme in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);
- 13.4.2 any exercise of a discretion or a decision taken in relation to an Option or to the Scheme, or any failure to exercise a discretion or take a decision; and
- 13.4.3 the operation, suspension, termination or amendment of the Scheme.

14. GENERAL

- 14.1 The Scheme will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Scheme will be without prejudice to the existing rights of Participants.
- 14.2 Shares issued or transferred from treasury under the Scheme will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.
- 14.3 By participating in the Scheme, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Scheme, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.
- 14.4 The Scheme will be administered by the Board. The Board will have full authority, consistent with the Scheme, to administer the Scheme, including authority to interpret and construe any provision of the Scheme and to adopt regulations for administering the Scheme. Decisions of the Board will be final and binding on all parties.
- 14.5 Any notice or other communication in connection with the Scheme may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 14.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Scheme (without prejudice to any right of a third party which exists other than under that Act).
- 14.7 These rules will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in this Scheme submits to the exclusive jurisdiction of the Courts of England and Wales.

APPENDIX
APPROVED OPTIONS

This Appendix sets out the terms on which the Board may grant Approved Options.

1. INTERPRETATION

- 1.1 The rules of the Scheme apply to Approved Options except as modified below and references in the rules of the Scheme to an Option will be interpreted as references to an Approved Option for the purposes of this Appendix.
- 1.2 References in this Appendix to ‘rules’ are to rules of the Scheme and references to ‘sections’ are to the sections of this Appendix.
- 1.3 In the event of any conflict between the rules of the Scheme and the sections of this Appendix, this Appendix will take precedence.

2. DEFINITIONS

- 2.1 In this Appendix, unless otherwise stated, the words and expressions below have the following meanings

“Approved Option”	an Option granted under this Appendix;
“Associated Company”	has the meaning given to it in paragraph 35(1) of Schedule 4;
“Market Value”	the market value determined in accordance with the applicable provisions of Part VIII of the Taxation of Chargeable Gains Act 1992, and any relevant published HMRC guidance on the relevant date;
“Restriction”	has the meaning given by paragraph 36(3) of Schedule 4;
“Schedule 4”	Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003; and
“Variation of Capital”	in relation to the equity share capital of the Company, a capitalisation issue, an offer or invitation made by way of rights, a subdivision, consolidation, reduction or any other variation in respect of which Approved Options may be adjusted in accordance with rule 11 as applied by this Approved Appendix and the requirements of Schedule 4.

3. ELIGIBILITY TO BE GRANTED AN APPROVED OPTION

- 3.1 An Approved Option may only be granted to an Eligible Employee who is a director of the Company or any of its Subsidiaries if he is obliged to devote not less than 25 hours a week (excluding meal breaks) to the performance of the duties of his office or employment with the Company or any Subsidiary.
- 3.2 An Approved Option may not be granted to an Eligible Employee who is excluded from participation by virtue of paragraph 9 of Schedule 4 (material interest in a close company).

4. GRANT OF AN APPROVED OPTION

- 4.1 No Approved Option may be granted unless and until this Appendix meets the requirements of Schedule 4.
- 4.2 Approved Options must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Approved Options, including the terms set out in paragraph 21A(1) of Schedule 4.

- 4.3 The Board must not grant an Approved Option to an Eligible Employee which would on the Grant Date cause the aggregate Market Value of the shares which he may acquire by exercising that Approved Option, and any other option which is to be taken into account for the purposes of the limit specified in paragraph 6(1) of Schedule 4, to exceed that limit.
- 4.4 For the purposes of this section 4, the Market Value of a share:
- 4.4.1 will be determined at the time the relevant option is granted; and
- 4.4.2 in the case of a share subject to a Restriction, will be determined as if the Restriction did not apply.
- 4.5 If the Company purports to grant an Approved Option in breach of the limit in section 4.3, that Approved Option will take effect from the Grant Date over the maximum number of Shares over which it may be granted within that limit and any excess will be treated as an Option under the Scheme.
- 4.6 Any Performance Condition applied to an Approved Option will be objective. Any substituted or amended Performance Condition applied to an Approved Option in accordance with rule 3.2 will not be materially more or less difficult to satisfy than the original Performance Condition when originally set.

5. SHARES SUBJECT TO AN APPROVED OPTION

- 5.1 The Shares subject to an Approved Option must satisfy Part 4 of Schedule 4.
- 5.2 If the Shares subject to an Approved Option are subject to a Restriction, the details of the Restriction will be included in the notification given under rule 2.3.

6. RESTRICTIONS ON TRANSFER AND BANKRUPTCY

- 6.1 In its application to Approved Options, there shall be deleted from rule 4.1 the words: “Unless the Board determines otherwise,”

7. EXERCISE OF APPROVED OPTIONS

- 7.1 A Participant may not exercise an Approved Option while he is excluded from being granted an Approved Option under paragraph 9 of Schedule 4 (material interest in a close company).
- 7.2 The following rule 7.1 will apply to Approved Options in substitution for rule 7.1:
- “7.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability arising as a result of the exercise of an Option and will reimburse the Group Member and/or the Trustee (as relevant) for the Tax Liability within thirty days of it arising. An Option may only be exercised if there are arrangements in place acceptable to the Board to provide for the reimbursement of any Tax Liability arising as a result of the exercise of the Option, which may include:
- 7.8.1 the Participant making a payment to the Group Member and/or the Trustee;
- 7.1.2 the Group Member withholding the Tax Liability from the Participant’s remuneration (to the extent permitted by law); or
- 7.1.3 with the Participant’s agreement, any other arrangement acceptable to the Group Member and/or the Trustee to reimburse the Tax Liability, including authorising the sale of sufficient of the Shares on the Participant’s behalf.”
- 7.3 Rule 8 of the Scheme will not apply to Approved Options.

8. CESSATION OF EMPLOYMENT

- 8.1 The following rules 9.1 - 9.3 will apply to Approved Options in substitution for rules 9.1 - 9.3:
- “Bad leavers*

- 9.1 If a Participant ceases to hold office or employment with a Group Member as a result his termination for gross misconduct, any Option that he holds (whether or not Vested) will lapse at that time.

Good leavers

- 9.2 If a Participant ceases to hold office or employment with a Group Member for any reason other than as a result of his termination for gross misconduct:
- 9.2.1 to the extent that his Option has Vested on the date of such cessation, it will be exercisable from the date of cessation in accordance with rule 9.3; and
- 9.2.2 to the extent that his Option has not Vested on the date of such cessation, it will become exercisable on the Normal Vesting Date in accordance with rule 9.3 to the extent determined by the Board (taking into account the extent to which any Performance Condition has been satisfied at the end of the Performance Period and the period of time that has elapsed from the Grant Date to the date of cessation).
- To the extent that an Option does not Vest, the remainder will lapse immediately.
- 9.3 An Option may, subject to rule 8, then be exercised for a period of six months or, in the case of the Participant's death, 12 months from the date of cessation (where rule 9.2.1 applies) or the Normal Vesting Date (where rule 9.2.2 applies) after which time it will lapse."

9. CORPORATE EVENTS

- 9.1 The following rules 10.1 -10.3A will apply to Approved Options in substitution for rules 10.1 - 10.3:
- "10.1. Where any of the events described in rule 10.3 occur, then subject to rules 10.7 - 10.8A, all Options which have not yet Vested will Vest in accordance with rule 10.2 at the time of such event. Vested Options will be exercisable for one month (or such longer period not exceeding six months as the Board may permit) from the date of the relevant event, after which all Options will lapse.
- 10.2 An Option will Vest pursuant to rule 10.1 taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Option does not Vest or is not exchanged in accordance with rules 10.7- 10.8A, it will lapse immediately.
- 10.3 The events referred to in rule 10.1 are:
- 10.3.1 General offer
- (a) If a person (including any person acting in concert with him as referred to in paragraph 25A(8) of Schedule 4) has obtained Control of the Company as a result of an offer falling within paragraph 25A(3) of Schedule 4 and any condition subject to which the offer is made has been satisfied.
- (b) If any person (either alone or together with any person acting in concert with him) other than in a case falling within rule 10.3.1(i):
- i. obtains Control of the Company as a result of making a general offer to acquire Shares; or
- ii. already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him,
- and such offer becomes wholly unconditional.
- 9.1.2 Compromise or arrangement

- (a) The sanction by the Court under section 899 of the Companies Act 2006 of a compromise or arrangement of a sort referred to in paragraph 25A(6) of Schedule 4 which is proposed for the purposes of a change of Control of the Company.
- (b) A compromise or arrangement in accordance with section 899 of the Companies Act 2006 for the purposes of a change of Control of the Company not falling within rule 10.3.2(a) is sanctioned by the Court.

11.3A If a person becomes bound or entitled to acquire Shares under sections 979 to 982 or 983 to 985 of the Companies Act 2006 (takeover offers: right of offeror to buy out minority shareholder etc), any Option which has not already been exercised or lapsed may be exercised while that person remains so bound or entitled. All unexercised Options will lapse when that person ceases to be so bound or entitled.”

10. CORPORATE EVENTS - EXCHANGE OF OPTIONS

10.1 The following rules 10.7 - 10.8A will apply to Approved Options in substitution for rules 10.7- 10.9:

“10.7 If another company (the “acquiring company”):

10.7.1 obtains Control of the Company as a result of making:

- (i) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire the whole of the issued ordinary share capital of the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which is made on a condition such that, if it is met, the person making the offer will have Control of the Company; or
- (ii) a general offer (disregarding, if relevant, the fact that the general offer may be made to different shareholders by different means) to acquire all the shares in the Company (construed in accordance with paragraph 26(2A) of Schedule 4) which are of the same class as the shares which may be acquired by the exercise of Approved Options;

10.7.2 obtains Control of the Company as a result of a compromise or arrangement sanctioned by the court under section 899 of the Companies Act 2006; or

10.7.3 becomes bound or entitled to acquire shares in the Company under sections 979 to 982 or 983 to 985 of the Companies Act 2006, an Option may be released in consideration of the grant to the holder of that Option of a new share option in accordance with rule 10.8.

10.8 If an Option (the “Old Option”) is to be released in consideration of the grant of a new share option (a “New Option”) in accordance with this rule 10.8:

10.8.1 that must be done with the agreement of the acquiring company and the Participant;

10.8.2 such agreement must be made in the relevant period determined in accordance with paragraph 26 of Schedule 4 and before the Old Option lapses in accordance with rule 10.1;

10.8.3 any New Option granted in consideration of the release of an Old Option in accordance with this rule 10.8 must satisfy the requirements of paragraph 27 of Schedule 4; and

10.8.4 the New Option will be treated as if it was an Option granted under the Scheme at the same time as the Old Option, except that:

- (i) other than in the definition of “Board”, in rule 10.2 and in rule 14.1, the defined term “Company” will mean the company whose shares are subject to the New Option; and
- (ii) rule 10.10 will not apply to the New Option.

10.8A If there is an Internal Reorganisation, an unvested Approved Option will not Vest under rule 10.1 and any Vested Approved Option may not be released if the acquiring company offers to grant a new share option in consideration of the release of the Option (whether in accordance with rules 10.7 10.8 or otherwise). To the extent the Participant does not agree to the release of the Option in accordance with rules 10.7 - 10.8 or otherwise, the Option will lapse one month after the date of the Internal Reorganisation.”

10.2 Following the grant of any New Option in accordance with rule 10.8, no Approved Options may be granted under the Scheme other than New Options granted in accordance with rule 10.8.

11. ADJUSTMENTS

11.1 The following rule 11 will apply to Approved Options in substitution for rule 11:

“11.1 The number of Shares subject to an Option and/or the Exercise Price thereof may be adjusted in such manner as the Board determines in the event of a Variation of Capital.

11.2 No adjustment may be made to an Approved Option under this rule 11 that does not meet the requirements of Schedule 4.

11.3 The Board may also adjust any Performance Condition.”

12. AMENDMENTS

12.1 If an amendment is made to this Appendix which will result in this Appendix ceasing to meet the requirements of Schedule 4, the amendment will not have effect unless and until the Board has determined that the amendment will take effect even if this causes this Appendix to cease to meet the requirements of Schedule 4.

13. BOARD DISCRETION

13.1 Any discretion exercisable or action or determination to be undertaken by the Board under this Appendix will be exercised or undertaken fairly and reasonably.

AMENDMENT TO RULES OF THE SCHEME

IMPACT OF DELISTING FROM AIM

NEW RULE 15 FOR THE SCHEME

(EXCLUDING ITS APPENDIX – NOT APPLICABLE TO APPROVED OPTIONS)

APPROVED BY THE BOARD ON 3 DECEMBER 2020

15. IMPACT OF DELISTING FROM AIM

- 15.1 In the event the Company's Shares delist from AIM in 2020, the following terms shall apply thereafter with immediate effect on the "Effective Date":
- 15.1 Each existing Option held on the Effective Date shall be deemed as modified on the Effective Date to comprise a right to acquire ADS subject its terms rather than a right to acquire Shares subject to its terms. The number of ADS under such modified Options shall be the result of the number of Shares subject to the relevant Option immediately prior to such modification divided by five (5) and rounded down to the nearest whole ADS (if relevant).
- 15.2 Such Options, as so modified, shall also have a revised Exercise Price determined as the result of the applicable Exercise Price per Share immediately prior to such modification multiplied by five (5) and converted from GBP into USD and rounded to two decimal places to become the applicable Exercise Price per ADS under the modified Option.
- 15.3 With immediate effect from such aforementioned modifications, where the context requires, reference in the Scheme to Shares shall be deemed be references to ADS unless the Board determines otherwise.
- 15.4 The Board shall retain full discretion as to the impact of this Rule 15 as to its application, intended effect and implementation on such basis as it determines appropriate.
- 15.5 The Effective Date shall be 18th December 2020 or such later date in 2020 (if any) as the Board determines appropriate by reference to the date the cancellation of the AIM listing becoming effective.
- 15.6 The GBP to USD exchange rate shall be determined by reference to such reputable source as the Chief Executive approves and determined either by reference to the exchange rate on the Effective Date or an average of the exchange rates over a such period ending on the Effective Date as approved by the Chief Executive.

Example:

- The Company delists from AIM on 18 December 2020.
- The GBP:USD exchange rate on 18 December is 1GBP = 1.316 USD.
- An Option is held over 1,000 ordinary shares and has an exercise price per share of £3.00 per ordinary share acquired on exercise.
- Effective on the Effective Date, such Option would be automatically updated go forward on identical terms except it would relate to 200 ADS (as each ADS represents 5 ordinary shares) and have a revised exercise price of USD 19.74 per ADS (rather than £3 per ordinary share). USD 19.74 the result of (£3 x 5) x 1.316.
- Upon the exercise of such Option (if any), subject to the terms of the Scheme, the participant would acquire 200 ADS at a cost of USD 19.74 per ADS.

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**Rules of the Mereo BioPharma Group
plc Deferred Bonus Share Plan**

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 20 March 2018 and 3 December 2020

Expiry date: 9 June 2026

Contents

1	DEFINITIONS AND INTERPRETATION	1
2	GRANT OF AWARDS	3
3	RESTRICTIONS ON TRANSFER AND BANKRUPTCY	3
4	DIVIDEND EQUIVALENTS	3
5	INDIVIDUAL LIMIT	3
6	REDUCTION OF AWARDS AND CLAWBACK	3
7	VESTING AND EXERCISE	5
8	TAXATION AND REGULATORY ISSUES	5
9	CASH EQUIVALENT	5
10	CESSATION OF EMPLOYMENT	6
11	CORPORATE EVENTS	6
12	ADJUSTMENTS	8
13	AMENDMENTS	8
14	LEGAL ENTITLEMENT	8
15	GENERAL	8
	SCHEDULE	10
1	CASH AWARDS	10

1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

“Admission Date”	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“AIM Rules”	the rules of AIM, as amended from time to time;
“Award”	a Conditional Award or a Nil-Cost Option;
“Board”	subject to rule 11.8, the board of the Company or any duly authorised committee of the board;
“Bonus”	the bonus payable (if any) to an Eligible Employee pursuant to an annual bonus plan operated by any Group Member;
“Company”	Mereo BioPharma Group Plc registered in England and Wales under number 9481161;
“Conditional Award”	a right to acquire Shares in accordance with the rules of the Plan with no Exercise Period;
“Control”	the meaning given by section 995 of the Income Tax Act 2007;
“Dealing Day”	any day on which the London Stock Exchange is open for business;
“Dealing Restrictions”	restrictions imposed by the Company’s share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
“Deferred Bonus”	the amount of Bonus which is to be delivered in the form of an Award under rule 2;
“Eligible Employee”	an employee (including an executive director) of the Company or any of its Subsidiaries;
“Exercise Period”	the period during which a Nil-Cost Option may be exercised;
“Financial Year”	a financial year of the Company within the meaning of section 390 of the Companies Act 2006;
“Grant Date”	the date on which an Award is granted;
“Group Member”	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company’s holding company or a Subsidiary of the Company’s holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and “Group” will be construed accordingly;

“Internal Reorganisation”	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
“Nil-Cost Option”	a right to acquire Shares in accordance with the rules of the Plan during an Exercise Period;
“Normal Vesting Date”	the date on which an Award will normally Vest, which will be the third anniversary of the Grant Date (or such other date determined by the Board at the Grant Date);
“Participant”	any person who holds an Award (or, in respect of rules 6.4 and 6.6, any person to whom Shares have been issued or transferred or to whom cash is paid in respect of an Award) or following his death, his personal representatives;
“Plan”	the Mereo BioPharma Group Plc Deferred Bonus Share Plan in its present form or as from time to time amended;
“Share”	a fully paid ordinary share in the capital of the Company;
“Subsidiary”	the meaning given by section 1159 of the Companies Act 2006;
“Tax Liability”	any tax or social security contributions liability in connection with an Award for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
“Trustee”	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
“UKLA”	the United Kingdom Listing Authority or any successor body;
“Vest”	<ul style="list-style-type: none"> i) in relation to a Conditional Award, the point at which a Participant becomes entitled to receive the Shares; and ii) in relation to a Nil-Cost Option, the point at which it becomes capable of exercise, and “Vesting”, “Vested” and “Vesting Date” will be construed accordingly.

1.2 References in the Plan to:

- 1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;
- 1.2.2 the singular include the plural and vice versa; and
- 1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

2 GRANT OF AWARDS

- 2.1 Subject to rule 2.2 and 2.3, the Board may grant an Award to an Eligible Employee in its discretion subject to the rules of the Plan and upon such additional terms as the Board may determine.
- 2.2 The grant of an Award will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).
- 2.3 An Award may only be granted to an Eligible Employee who has earned a Bonus for the Financial Year immediately preceding the Financial Year in which the Grant Date occurs.
- 2.4 An Award will be granted over such number of Shares as have at the Grant Date a market value (as determined by the Board) equal to the Deferred Bonus.
- 2.5 To the extent any Award exceeds the limit in rule 2.4 it will be scaled back accordingly.
- 2.6 Awards must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Award.
- 2.7 No Award may be granted under the Plan after the tenth anniversary of the Admission Date.

3 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

- 3.1 An Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.
- 3.2 An Award will lapse immediately if the Participant is declared bankrupt or, if the Participant is outside the UK, any analogous event occurs.

4 DIVIDEND EQUIVALENTS

- 4.1 The Board may decide at any time prior to the issue or transfer of the Shares in respect of which an Award Vests that the Participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those Shares on such terms and over such period (ending no later than the Vesting Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends.
- 4.2 Any such amount will be payable as soon as reasonably practicable after Vesting or, in the case of a Nil-Cost Option, exercise, of the relevant Award.

5 INDIVIDUAL LIMIT

- 5.1 No Eligible Employee may be granted Awards which would, at the time they are granted, cause the market value (as determined by the Board) of all the Shares subject to Awards granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 100 per cent. of salary, and to the extent any Award exceeds this limit it will be scaled back accordingly.-

6 REDUCTION OF AWARDS AND CLAWBACK

- 6.1 Notwithstanding any other rule of the Plan, this rule 6 applies to any Award and will continue to apply after the termination of a Participant's office or employment with a Group Member for any reason whether or not the termination is lawful.
- 6.2 The circumstances in which rules 6.3 and 6.4 may apply are:

- 6.2.1 a material misstatement of the Company's accounts; or
 - 6.2.2 an error in assessing the information or assumptions by reference to which the Bonus was determined, such that the Bonus payable was in excess of the Bonus that would have been payable should the circumstances not have occurred; or
 - 6.2.3 fraudulent or material misconduct on the part of the Participant
- occurring, unless rule 6.5 applies, within the period ending on the third anniversary of the Grant Date applying to an Award.
- 6.3 The Board may, in its discretion, determine at any time prior to the earlier of the delivery of cash or shares comprised in an Award and, unless rule 6.5 applies, the third anniversary of the Grant Date applying to an Award, to:
- 6.3.1 reduce (including to zero) the number of Shares to which an Award relates; and/or
 - 6.3.2 impose further conditions on an Award.
- 6.4 The Board may, in its discretion, determine at any time after the delivery of cash or Shares comprised in an Award, and unless, rule 6.5 applies, prior to the third anniversary of the Grant Date applying to an Award, to:
- 6.4.1 require a Participant to make a cash payment to the Company in respect of some or all of the Shares or cash delivered to him under the Award; and/or
 - 6.4.2 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under the Award
- and the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.
- 6.5 If the action or conduct of any Participant, Group Member or relevant business unit is under investigation prior to the third anniversary of the Grant Date applying to an Award pursuant to this rule 6 and such investigation has not yet been concluded by that date, the period referred to in rules 6.2, 6.3 and 6.4 will end on such later date as the Board considers appropriate to allow such investigation to be concluded.
- 6.6 The Board may decide to:
- 6.6.1 reduce (including to zero) the number of Shares to which an Award relates;
 - 6.6.2 impose further conditions on an Award; and/or
 - 6.6.3 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under an Award or make a cash payment to the Company in respect of some or all of the Shares delivered to him under an Award
- to effect the recovery of sums paid or Shares delivered under any provisions similar to this rule 6 which are included in any bonus plan or share plan (other than the Plan) operated by any Group Member and if the Board decides to apply rule 6.6.3, the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.
- 6.7 For the purposes of this rule 6, references to Group Member or a relevant business unit include references to any former Group Member or former business unit.

6.8 If the Board exercises its discretion in accordance with this rule 6, it will confirm this in writing to each Participant and, if necessary, the Trustee.

7 VESTING AND EXERCISE

7.1 Subject to rules 8.2, 10 and 11, an Award will Vest:

7.1.1 on the Normal Vesting Date; or

7.1.2 if on the Normal Vesting Date (or on any other date on which an Award is due to Vest under rule 10 or 11) a Dealing Restriction applies to the Award, on the date on which such Dealing Restriction lifts; and

a Nil-Cost Option may then be exercised during the period ending on the first anniversary of the date on which it Vested (or such shorter period as the Board may determine on or prior to the Grant Date) in such manner as the Board determines, after which time it will lapse.

7.2 Subject to rules 8 and 9, where a Conditional Award has Vested or a Nil-Cost Option has been exercised, the number of Shares in respect of which the Award has Vested or been exercised together with any additional Shares or cash to which a Participant becomes entitled under rule 4 will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

8 TAXATION AND REGULATORY ISSUES

8.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Award. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Award to realise an amount equal to the Tax Liability.

8.2 The Vesting of a Conditional Award, the exercise of a Nil-Cost Option and the issue or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by AIM (or any other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

9 CASH EQUIVALENT

9.1 Subject to rule 9.2, at any time prior to the date on which Shares in respect of which an Award has Vested or, in the case of a Nil-Cost Option, has been exercised and, in both cases, Shares have been issued or transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the market value (as determined by the Board) of that number of the Shares which would otherwise have been issued or transferred and for these purposes:

9.1.1 in the case of a Conditional Award, market value will be determined on the date of Vesting;

9.1.2 in the case of a Nil-Cost Option, market value will be determined on the date of exercise; and

9.1.3 in either case the cash sum will be paid to the Participant as soon as practicable after the Vesting of the Conditional Award or the exercise of the Nil-Cost Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.

9.2 The Board may determine that this rule 9 will not apply to an Award or any part of it.

10 CESSATION OF EMPLOYMENT

- 10.1 Except where a Participant is summarily dismissed and unless the Board determines that an Award will Vest in accordance with rule 10.2, an Award which has not yet Vested as at the date of cessation will continue and, subject to rule 11, Vest on the Normal Vesting Date.
- 10.2 If the Board determines that an Award which has not yet Vested at the date of cessation will Vest in accordance with this rule 10.2, it will Vest as soon as reasonably practicable following the date of cessation.
- 10.3 A Nil-Cost Option that Vests under rule 10 may, subject to rule 11, be exercised for a period of 12 months (or such other period as the Board may determine) from the date of Vesting, after which time it will lapse.
- 10.4 Except where a Participant is summarily dismissed, a Nil-Cost Option which has Vested prior to the date of cessation may, subject to rule 11, be exercised during the remainder of the original Exercise Period applicable to his Award, after which time it will lapse.
- 10.5 For the purposes of the Plan, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:
- 10.5.1 an office or employment; or
 - 10.5.2 a right to return to work
- with any Group Member.

11 CORPORATE EVENTS

- 11.1 Where any of the events described in rule 11.2 occur, then subject to rules 11.5 and 11.7, all Awards which have not yet Vested will Vest at the time of such event. Nil-Cost Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such other period as the Board may determine) from the date of the relevant event, after which time all Nil-Cost Options will lapse.
- 11.2 The events referred to in rule 11.1 are:
- 11.2.1 General offer
- If any person (either alone or together with any person acting in concert with him):
- (i) obtains Control of the Company as a result of making a general offer to acquire Shares; or
 - (ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him
- and such offer becomes wholly unconditional.
- 11.2.2 Scheme of arrangement
- A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.
- 11.3 Winding-up
- On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding-up of the Company, the Board will determine:

- 11.3.1 whether and to what extent Awards which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and
- 11.3.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.
- To the extent that an Award does not Vest, it will lapse immediately.
- 11.4 Other events
- If the Company is or may be affected by a demerger, delisting, special dividend or other event which in the opinion of the Board, may affect the current or future value of Shares, the Board will determine:
- 11.4.1 whether and to what extent Awards which have not yet Vested will Vest, unless the Board determines otherwise, taking into account the period of time from the Grant Date to the date of the relevant event; and
- 11.4.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.
- To the extent that an Award does not Vest, it will lapse immediately.
- 11.5 Exchange - unvested Awards
- An unvested Award will not Vest under rule 11.1 but will be exchanged on the terms set out in rule 11.7 to the extent that:
- 11.5.1 an offer to exchange the Award is made and accepted by a Participant; or
- 11.5.2 there is an Internal Reorganisation.
- 11.6 Exchange - Vested Nil-Cost Options
- To the extent that there is an Internal Reorganisation, a Vested Nil-Cost Option will be exchanged on the terms set out in rule 11.7.
- 11.7 Exchange terms
- If this rule 11.7 applies, the Existing Award will not Vest but will be exchanged in consideration of the grant of a new award (“the **New Award**”) which, in the opinion of the Board, is equivalent to the Existing Award, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Plan will be construed in relation to the New Award as if:
- 11.7.1 the New Award were an Award granted under the Plan at the same time as the Award;
- 11.7.2 references to the Company were references to the company whose shares are subject to the New Award; and
- 11.7.3 references to Shares were references to shares in the company whose shares are subject to the New Award.
- 11.8 Meaning of Board
- Any reference to the Board in this rule 11 means the members of the Board immediately prior to the relevant event.

12 ADJUSTMENTS

- 12.1 The number of Shares subject to an Award may be adjusted in such manner as the Board determines, in the event of:
- 12.1.1 any variation of the share capital of the Company; or
 - 12.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.

13 AMENDMENTS

- 13.1 Except as described in this rule 13, the Board may at any time amend the rules of the Plan or the terms of any Award.
- 13.2 No amendment to the material disadvantage of existing rights of Participants will be made under rule 13.1 unless:
- 13.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and
 - 13.2.2 the amendment is approved by a majority of those Participants who have so indicated.
- 13.3 No amendment will be made under this rule 13 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

14 LEGAL ENTITLEMENT

- 14.1 This rule 14 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.
- 14.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment with a Group Member for any Participant.
- 14.3 The grant of any Award to a Participant does not create any right for that Participant to be granted any further Awards or to be granted Awards on any particular terms, including the number of Shares to which Awards relate.
- 14.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:
- 14.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);
 - 14.4.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; and
 - 14.4.3 the operation, suspension, termination or amendment of the Plan.

15 GENERAL

- 15.1 The Plan will terminate upon the date stated in rule 2.7, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.

- 15.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.
- 15.3 By participating in the Plan, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.
- 15.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.
- 15.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 15.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).
- 15.7 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

SCHEDULE

1 CASH AWARDS

The rules of the Mereo BioPharma Group Plc Deferred Bonus Share Plan will apply to a right to receive a cash sum granted under this Schedule as if it was either a Conditional Award (a “Cash Conditional Award”) or a Nil-Cost Option (a “Cash Option”), except as set out in this Schedule. Where there is any conflict between the rules of the Plan and this Schedule, the terms of this Schedule will prevail.

- 1.1 Each Cash Conditional Award or Cash Option will relate to a certain number of notional Shares.
- 1.2 On the Vesting of a Cash Conditional Award or the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Conditional Award or the Cash Option relates, on the following basis:
 - 1.2.1 in the case of a Cash Conditional Award the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Conditional Award relates on the date of Vesting; and
 - 1.2.2 in the case of a Cash Option the cash sum will be equal to the market value (as determined by the Board) of the notional Shares to which the Cash Option relates on the date of exercise.
- 1.3 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as reasonably practicable after the Vesting of the Cash Conditional Award or the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.
- 1.4 A Cash Conditional Award or Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.

AMENDMENT TO RULES OF THE PLAN

IMPACT OF DELISTING FROM AIM

NEW RULE 16 FOR THE PLAN

APPROVED BY THE BOARD ON 3 DECEMBER 2020

16. IMPACT OF DELISTING FROM AIM

- 16.1 In the event the Company's Shares delist from AIM in 2020, the following terms shall apply thereafter with immediate effect on the "**Effective Date**":
- 16.1 Each existing Award held on the Effective Date shall be deemed as modified on the Effective Date to comprise a right to acquire ADS subject to its terms rather than a right to acquire Shares subject to its terms. The number of ADS under such modified Awards shall be the result of the number of Shares subject to the relevant Award immediately prior to such modification divided by five (5) and rounded down to the nearest whole ADS (if relevant).
- 16.2 With immediate effect from such aforementioned modifications, where the context requires, reference in the Scheme to Shares shall be deemed to be references to ADS unless the Board determines otherwise.
- 16.3 The Board shall retain full discretion as to the impact of this Rule 16 as to its application, intended effect and implementation on such basis as it determines appropriate.
- 16.4 ADS means an American Depository Share, representing five (5) Shares.
- 16.5 The Effective Date shall be 18th December 2020 or such later date in 2020 (if any) as the Board determines appropriate by reference to the date the cancellation of the AIM listing becomes effective.

Example:

- The Company delists from AIM on December 2020.
- A nil cost option Award is held over 1,000 ordinary shares.
- Effective on the Effective Date, such Award would be automatically updated to go forward on identical terms except it would relate to 200 ADS (as each ADS represents 5 ordinary shares).
- Upon the exercise of such Award (if any), subject to the terms of the Plan, the participant would acquire 200 ADS at a cost of £0 per ADS.

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**Rules of the Mereo BioPharma Group
plc Long Term Incentive Plan**

Adopted by the board of directors of Mereo BioPharma Group plc on 4 March 2016

Amended by the board of directors of Mereo BioPharma Group plc on 20 March 2018 and 3 December 2020

Expiry date: 9 June 2026

Contents

1	DEFINITIONS AND INTERPRETATION	1
2	GRANT OF AWARDS	3
3	PERFORMANCE CONDITION	3
4	RESTRICTIONS ON TRANSFER AND BANKRUPTCY	3
5	DIVIDEND EQUIVALENTS	3
6	INDIVIDUAL LIMIT	3
7	REDUCTION OF AWARDS AND CLAWBACK	4
8	VESTING AND EXERCISE	5
9	TAXATION AND REGULATORY ISSUES	5
10	CASH EQUIVALENT	5
11	CESSATION OF EMPLOYMENT	6
12	CORPORATE EVENTS	7
13	ADJUSTMENTS	8
14	AMENDMENTS	9
15	LEGAL ENTITLEMENT	9
16	GENERAL	9
	SCHEDULE	11
1	CASH AWARDS	11

1 DEFINITIONS AND INTERPRETATION

1.1 In this Plan, unless otherwise stated, the words and expressions below have the following meanings:

“Admission Date”	the day on which the Shares are admitted to the Official List of the UKLA and to trading on AIM;
“AIM”	the Alternative Investment Market of the London Stock Exchange;
“AIM Rules”	the rules of AIM, as amended from time to time;
“Award”	a Conditional Award or a Nil-Cost Option (or a Cash Conditional Award or Cash Option granted under the Schedule to the Plan);
“Board”	subject to rule 12.9, the board of the Company or any duly authorised committee of the board;
“Company”	Mereo BioPharma Group Plc, registered in England and Wales under number 9481161;
“Conditional Award”	a right to acquire Shares in accordance with the rules of the Plan with no Exercise Period;
“Control”	the meaning given by section 995 of the Income Tax Act 2007;
“Dealing Day”	any day on which the London Stock Exchange is open for business;
“Dealing Restrictions”	restrictions imposed by the Company’s share dealing code, the AIM Rules or any applicable laws or regulations which impose restrictions on share dealing;
“Eligible Employee”	an employee (including an executive director) of the Company or any of its Subsidiaries;
“Exercise Period”	the period during which a Nil-Cost Option may be exercised;
“Grant Date”	the date on which an Award is granted;
“Group Member”	the Company, any Subsidiary of the Company, any company which is (within the meaning of section 1159 of the Companies Act 2006) the Company’s holding company or a Subsidiary of the Company’s holding company or, if the Board so determines, any body corporate in relation to which the Company is able to exercise at least 20% of the equity voting rights and “Group” will be construed accordingly;
“Internal Reorganisation”	where immediately after a change of Control of the Company, all or substantially all of the issued share capital of the acquiring company is owned directly or indirectly by the persons who were shareholders in the Company immediately before the change of Control;
“Market Value”	the market value as determined by the Board on the relevant date;

“Nil-Cost Option”	a right to acquire Shares in accordance with the rules of the Plan during an Exercise Period;
“Normal Vesting Date”	the date on which the Board determines, on or prior to the Grant Date that an Award will normally Vest, or to the extent that the Award is subject to a Vesting Schedule, the date determined by the Board on or prior to the Grant Date for the relevant tranche of the Award as set out in the Vesting Schedule;
“Participant”	any person who holds an Award (or, in respect of rules 7.4 and 7.6, any person to whom Shares have been issued or transferred or to whom cash is paid in respect of an Award) or following his death, his personal representatives;
“Performance Condition”	a condition or conditions imposed under rule 3.1 which relates to performance;
“Performance Period”	the period over which a Performance Condition will be measured which, unless the Board determines otherwise, will be at least three years;
“Plan”	the Mereo BioPharma Group Plc Long Term Incentive Plan in its present form or as from time to time amended;
“Share”	a fully paid ordinary share in the capital of the Company;
“Subsidiary”	the meaning given by section 1159 of the Companies Act 2006;
“Tax Liability”	any tax or social security contributions liability in connection with an Award for which the Participant is liable and for which any Group Member or former Group Member is obliged to account to any relevant authority;
“Trustee”	the trustee or trustees for the time being of any employee benefit trust, the beneficiaries of which include Eligible Employees;
“UKLA”	the United Kingdom Listing Authority or any successor body;
“Vest”	<ul style="list-style-type: none"> i) in relation to a Conditional Award, the point at which a Participant becomes entitled to receive the Shares; and ii) in relation to a Nil-Cost Option, the point at which it becomes capable of exercise, and “Vesting”, “Vested” and “Vesting Date” will be construed accordingly; and
“Vesting Schedule”	in relation to an Award that is divided into tranches, the series of Normal Vesting Dates on which the Board determines on the Grant Date that those tranches will usually normally Vest.

1.2 References in the Plan to:

1.2.1 any statutory provisions are to those provisions as amended or re-enacted from time to time;

1.2.2 the singular include the plural and vice versa; and

1.2.3 the masculine include the feminine and vice versa.

1.3 Headings do not form part of the Plan.

2 GRANT OF AWARDS

2.1 Subject to rule 2.2, the Board may grant an Award to an Eligible Employee in its discretion subject to the rules of the Plan and upon such additional terms as the Board may determine.

2.2 The grant of an Award will be subject to obtaining any approval or consent required by AIM (or other relevant authority), any Dealing Restrictions and any other applicable laws or regulations (whether in the UK or overseas).

2.3 Awards must be granted by deed and, as soon as reasonably practicable after the Grant Date, Participants must be notified of the terms of their Award, including any Performance Condition.

2.4 No Award may be granted under the Plan after the tenth anniversary of the Admission Date.

3 PERFORMANCE CONDITION

3.1 Unless the Board determines otherwise, the Vesting of Awards will be subject to the satisfaction of a Performance Condition, provided that an Award granted to an executive director of the Company must be subject to the satisfaction of a Performance Condition. Subject to rules 11 and 12, the Performance Condition will be measured over the Performance Period.

3.2 The Board may amend or substitute a Performance Condition if one or more events occur which cause the Board to consider that a substituted or amended Performance Condition would be more appropriate and would not be materially less difficult to satisfy.

4 RESTRICTIONS ON TRANSFER AND BANKRUPTCY

4.1 An Award must not be transferred, assigned, charged or otherwise disposed of in any way (except in the event of the Participant's death, to his personal representatives) and will lapse immediately on any attempt to do so.

4.2 An Award will lapse immediately if the Participant is declared bankrupt or, if the Participant is outside the UK, any analogous event occurs.

5 DIVIDEND EQUIVALENTS

5.1 The Board may decide at any time prior to the issue or transfer of the Shares in respect of which an Award Vests that the Participant will receive an amount (in cash and/or additional Shares) equal in value to any dividends that would have been paid on those Shares on such terms and over such period (ending no later than the Vesting Date) as the Board may determine. This amount may assume the reinvestment of dividends (on such basis as the Board may determine) and may exclude or include special dividends.

5.2 Any such amount will be payable as soon as reasonably practicable after Vesting or, in the case of a Nil-Cost Option, exercise, of the relevant Award.

6 INDIVIDUAL LIMIT

6.1 No Eligible Employee may be granted Awards which would, at the time they are granted, cause the Market Value of all the Shares subject to Awards granted to that Eligible Employee in respect of a particular financial year of the Company to exceed 300 per cent. of salary, and to the extent any Award exceeds this limit it will be scaled back accordingly.-

7 REDUCTION OF AWARDS AND CLAWBACK

- 7.1 Notwithstanding any other rule of the Plan, this rule 7 applies to any Award and will continue to apply after the termination of a Participant's office or employment with a Group Member for any reason whether or not the termination is lawful.
- 7.2 The circumstances in which rules 7.3 and 7.4 may apply are:
- 7.2.1 a material misstatement of the Company's accounts;
 - 7.2.2 an error in assessing a Performance Condition applicable to the Award or in the information or assumptions by reference to which the Award Vests, such that the Award Vested to a greater extent than it would have Vested should the circumstances not have occurred; or
 - 7.2.3 fraudulent or material misconduct on the part of the Participant
- occurring, unless rule 7.5 applies, within the period ending on the second anniversary of the last day of the Performance Period applying to an Award.
- 7.3 The Board may, in its discretion, determine at any time prior to the earlier of the delivery of cash or Shares comprised in an Award and unless rule 7.5 applies, the second anniversary of the last day of the Performance Period applying to an Award, to:
- 7.3.1 reduce (including to zero) the number of Shares to which an Award relates; and/or
 - 7.3.2 impose further conditions on an Award.
- 7.4 The Board may, in its discretion, determine at any time after the delivery of cash or Shares comprised in an Award, and unless rule 7.5 applies, prior to the second anniversary of the last day of the Performance Period applying to an Award, to:
- 7.4.1 require a Participant to make a cash payment to the Company in respect of some or all of the Shares or cash delivered to him under the Award; and/or
 - 7.4.2 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under the Award
- and the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.
- 7.5 If the action or conduct of any Participant, Group Member or relevant business unit is under investigation prior to the second anniversary of the last day of the Performance Period applying to an Award pursuant to this rule 7 and such investigation has not yet been concluded by that date, the period referred to in rules 7.2, 7.3 and 7.4 will end on such later date as the Board considers appropriate to allow such investigation to be concluded.
- 7.6 The Board may decide to:
- 7.6.1 reduce (including to zero) the number of Shares to which an Award relates;
 - 7.6.2 impose further conditions on an Award; and/or

7.6.3 require a Participant to transfer for nil consideration some or all of the Shares delivered to him under an Award or make a cash payment to the Company in respect of some or all of the Shares delivered to him under an Award

to effect the recovery of sums paid or Shares delivered under any provisions similar to this rule 7 which are included in any bonus plan or share plan (other than the Plan) operated by any Group Member and if the Board decides to apply rule 7.6.3, the Board will have the discretion to determine the basis on which the amount of cash or Shares is calculated, including whether and if so to what extent to take account of any tax or social security liability applicable to the Award.

7.7 For the purposes of this rule 7, references to Group Member or a relevant business unit include references to any former Group Member or former business unit.

7.8 If the Board exercises its discretion in accordance with this rule 7, it will confirm this in writing to each Participant and, if necessary, the Trustee.

8 VESTING AND EXERCISE

8.1 As soon as reasonably practicable after the end of any Performance Period relating to an Award, the Board will determine if and to what extent the Performance Condition has been satisfied. To the extent that it has not been satisfied in full, the remainder of the Award will lapse immediately.

8.2 Subject to rules 9.2, 11 and 12, an Award will Vest:

8.2.1 on the Normal Vesting Date; or

8.2.2 if on the Normal Vesting Date (or on any other date on which an Award is due to Vest under rule 11 or 12) a Dealing Restriction applies to the Award, on the date on which such Dealing Restriction lifts; and

a Nil-Cost Option may then be exercised during the period ending on the first anniversary of the date on which it Vested (or such shorter period as the Board may determine on or prior to the Grant Date) in such manner as the Board determines, after which time it will lapse.

8.3 Subject to rules 9 and 10, where a Conditional Award has Vested or a Nil-Cost Option has been exercised, the number of Shares in respect of which the Award has Vested or been exercised together with any additional Shares or cash to which a Participant becomes entitled under rule 5 will be issued, transferred or paid (as applicable) to the Participant as soon as reasonably practicable thereafter.

9 TAXATION AND REGULATORY ISSUES

9.1 A Participant will be responsible for and indemnifies each relevant Group Member and the Trustee against any Tax Liability relating to his Award. Any Group Member and/or the Trustee may withhold an amount equal to such Tax Liability from any amounts due to the Participant (to the extent such withholding is lawful) and/or make any other arrangements as it considers appropriate to ensure recovery of such Tax Liability including, without limitation, the sale of sufficient Shares acquired subject to the Award to realise an amount equal to the Tax Liability.

9.2 The Vesting of a Conditional Award, the exercise of a Nil-Cost Option and the issue or transfer of Shares under the Plan will be subject to obtaining any approval or consent required by AIM (or any other relevant authority), any Dealing Restrictions, or any other applicable laws or regulations (whether in the UK or overseas).

10 CASH EQUIVALENT

- 10.1 Subject to rule 10.2, at any time prior to the date on which Shares in respect of which an Award has Vested or, in the case of a Nil-Cost Option, has been exercised and, in both cases, Shares have been issued or transferred to a Participant, the Board may determine that, in substitution for his right to acquire some or all of the Shares to which his Award relates, the Participant will instead receive a cash sum. The cash sum will be equal to the Market Value of that number of the Shares which would otherwise have been issued or transferred and for these purposes:
- 10.1.1 in the case of a Conditional Award, Market Value will be determined on the date of Vesting;
 - 10.1.2 in the case of a Nil-Cost Option, Market Value will be determined on the date of exercise; and
 - 10.1.3 in either case the cash sum will be paid to the Participant as soon as reasonably practicable after the Vesting of the Conditional Award or the exercise of the Nil-Cost Option, net of any deductions (including but not limited to any Tax Liability or similar liabilities) as may be required by law.
- 10.2 The Board may determine that this rule 10 will not apply to an Award or any part of it.

11 CESSATION OF EMPLOYMENT

- 11.1 If a Participant ceases to hold office or employment with a Group Member for a reason other than one of the reasons set out in rule 12.2, Awards (whether or not Vested) will lapse at that time.
- 11.2 If a Participant ceases to hold office or employment with a Group Member as a result of:
- 11.2.1 death;
 - 11.2.2 ill-health, injury or disability evidenced to the satisfaction of the Board;
 - 11.2.3 the Participant's employing company ceasing to be a Group Member or the transfer of an undertaking or part of an undertaking (in which the Participant is employed) to a person who is not a Group Member; or
 - 11.2.4 any other reason at the Board's discretion, except where a Participant is summarily dismissed
- unless the Board determines that an Award will Vest in accordance with rule 11.3, an Award which has not yet Vested as at the date of cessation will continue and, subject to rule 12 Vest, in accordance with rule 11.4 on the Normal Vesting Date.
- 11.3 If the Board determines that an Award which has not yet Vested at the date of cessation will Vest in accordance with this rule 11.3, it will Vest as soon as reasonably practicable following the date of cessation in accordance with rule 11.4.
- 11.4 The number of Shares in respect of which the Award Vests pursuant to rule 11.2 or 11.3 will be determined by the Board, taking into account:
- 11.4.1 the extent to which any Performance Condition has been satisfied at the end of the Performance Period (if rule 11.2 applies) or at the date of cessation of office or employment (if rule 11.3 applies); and
 - 11.4.2 unless the Board determines otherwise, the period of time that has elapsed from the Grant Date to the date of cessation of office or employment,
- and to the extent that an Award does not Vest in full, the remainder will lapse immediately. A Nil-Cost Option may, subject to rule 12, be exercised for a period of 12 months (or such other period as the Board may determine) from the date of Vesting, after which time it will lapse.

- 11.5 If a Participant ceases to hold office or employment with a Group Member for one of the reasons set out in rule 11.2, a Nil-Cost Option which has Vested prior to the date of cessation may, subject to rule 12, be exercised during the remainder of the original Exercise Period, after which time it will lapse.
- 11.6 For the purposes of the Plan, no person will be treated as ceasing to hold office or employment with a Group Member until that person no longer holds:
- 11.6.1 an office or employment; or
- 11.6.2 a right to return to work with any Group Member.

12 CORPORATE EVENTS

- 12.1 Where any of the events described in rule 12.3 occur, then subject to rules 12.6 and 12.8, all Awards which have not yet Vested will Vest in accordance with rule 12.2 at the time of such event. Nil-Cost Options (whether Vested pursuant to this rule or otherwise) will be exercisable for one month (or such other period as the Board may determine) from the date of the relevant event, after which time all Nil-Cost Options will lapse.
- 12.2 An Award will Vest pursuant to rule 12.2 to the extent determined by the Board, taking into account the extent to which any Performance Condition has been satisfied, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event. To the extent that an Award does not Vest, or is not exchanged in accordance with rule 12.6, it will lapse immediately.
- 12.3 The events referred to in rule 12.1 are:
- 12.3.1 General offer
- If any person (either alone or together with any person acting in concert with him):
- (i) obtains Control of the Company as a result of making a general offer to acquire Shares; or
- (ii) already having Control of the Company, makes an offer to acquire all of the Shares other than those which are already owned by him and such offer becomes wholly unconditional.
- 12.3.2 Scheme of arrangement
- A compromise or arrangement in accordance with section 899 of the Companies Act 2006 (or any similar legislation or rules in a jurisdiction outside the United Kingdom) for the purposes of a change of Control of the Company which is sanctioned by the Court.
- 12.4 Winding-up
- On the passing of a resolution for the voluntary winding-up or the making of an order for the compulsory winding-up of the Company, the Board will determine:
- 12.4.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and
- 12.4.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

12.5 Other events

If the Company is or may be affected by a demerger, delisting, special dividend or other event which in the opinion of the Board, may affect the current or future value of Shares, the Board will determine:

12.5.1 whether and to what extent Awards which have not yet Vested will Vest, taking into account the extent to which any Performance Condition has been satisfied and, unless the Board determines otherwise, the period of time from the Grant Date to the date of the relevant event; and

12.5.2 the period of time during which any Vested Nil-Cost Option may be exercised, after which time it will lapse.

To the extent that an Award does not Vest it will lapse immediately.

12.6 Exchange—unvested Awards

An unvested Award will not Vest under rule 12.1 but will be exchanged on the terms set out in rule 12.8 to the extent that:

12.6.1 an offer to exchange the Award is made and accepted by a Participant; or

12.6.2 there is an Internal Reorganisation.

12.7 Exchange - Vested Nil-Cost Options

To the extent that there is an Internal Reorganisation, a Vested Nil-Cost Option will be exchanged on the terms set out in rule 12.8.

12.8 Exchange terms

If this rule 12.8 applies, the Award will be released in consideration of the grant of a new award (“New Award”) which, in the opinion of the Board, is equivalent to the Award, but relates to shares in a different company (whether the acquiring company or a different company). Unless the Board determines otherwise, the rules of this Plan will be construed in relation to the New Award as if:

12.8.1 the New Award were an Award granted under the Plan at the same time as the Award;

12.8.2 references to the Company were references to the company whose shares are subject to the New Award; and

12.8.3 references to Shares were references to shares in the company whose shares are subject to the New Award.

12.9 Meaning of Board

Any reference to the Board in this rule 12 means the members of the Board immediately prior to the relevant event.

13 ADJUSTMENTS

13.1 The number of Shares subject to an Award may be adjusted in such manner as the Board determines, in the event of:

13.1.1 any variation of the share capital of the Company; or

13.1.2 a demerger, delisting, special dividend, rights issue or other event which may, in the opinion of the Board, affect the current or future value of Shares.

13.2 The Board may also adjust any Performance Condition.

14 AMENDMENTS

14.1 Except as described in this rule 14, the Board may at any time amend the rules of the Plan or the terms of any Award.

14.2 No amendment to the material disadvantage of existing rights of Participants (except in respect of the Performance Condition) will be made under rule 14.1 unless:

14.2.1 every Participant who may be affected by such amendment has been invited to indicate whether or not he approves the amendment; and

14.2.2 the amendment is approved by a majority of those Participants who have so indicated.

14.3 No amendment will be made under this rule 14 if it would prevent the Plan from being an employees' share scheme in accordance with section 1166 of the Companies Act 2006.

15 LEGAL ENTITLEMENT

15.1 This rule 15 applies during a Participant's employment with any Group Member and after the termination of such employment, whether or not the termination is lawful.

15.2 Nothing in the Plan or its operation forms part of the terms of employment of a Participant and the rights and obligations arising from a Participant's employment with any Group Member are separate from, and are not affected by, his participation in the Plan. Participation in the Plan does not create any right to continued employment with a Group Member for any Participant.

15.3 The grant of any Award to a Participant does not create any right for that Participant to be granted any further Awards or to be granted Awards on any particular terms, including the number of Shares to which Awards relate.

15.4 By participating in the Plan, a Participant waives all rights to compensation for any loss in relation to the Plan, including:

15.4.1 any loss or reduction of any rights or expectations under the Plan in any circumstances or for any reason (including lawful or unlawful termination of the Participant's employment);

15.4.2 any exercise of a discretion or a decision taken in relation to an Award or to the Plan, or any failure to exercise a discretion or take a decision; and

15.4.3 the operation, suspension, termination or amendment of the Plan.

16 GENERAL

16.1 The Plan will terminate upon the date stated in rule 2.4, or at any earlier time by the passing of a resolution by the Board or an ordinary resolution of the Company in general meeting. Termination of the Plan will be without prejudice to the existing rights of Participants.

16.2 Shares issued or transferred from treasury under the Plan will rank equally in all respects with the Shares then in issue, except that they will not rank for any voting, dividend or other rights attaching to Shares by reference to a record date preceding the date of issue or transfer from treasury.

- 16.3 By participating in the Plan, Participants resident outside of the European Economic Area consent to the collection, holding, processing and transfer of his personal data by any Group Member or any third party for all purposes relating to the operation of the Plan, including but not limited to, the administration and maintenance of Participant records, providing information to future purchasers of the Company or any business in which the Participant works and to the transfer of information about the Participant to a country or territory outside the European Economic Area or elsewhere.
- 16.4 The Plan will be administered by the Board. The Board will have full authority, consistent with the Plan, to administer the Plan, including authority to interpret and construe any provision of the Plan and to adopt regulations for administering the Plan. Decisions of the Board will be final and binding on all parties.
- 16.5 Any notice or other communication in connection with the Plan may be delivered personally or sent by electronic means or post, in the case of a company to its registered office (for the attention of the company secretary), and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment. Where a notice or other communication is given by post, it will be deemed to have been received 72 hours after it was put into the post properly addressed and stamped, and if by electronic means, when the sender receives electronic confirmation of delivery or if not available, 24 hours after sending the notice.
- 16.6 No third party will have any rights under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Plan (without prejudice to any right of a third party which exists other than under that Act).
- 16.7 The rules of the Plan will be governed by and construed in accordance with the laws of England and Wales. Any person referred to in the Plan submits to the exclusive jurisdiction of the Courts of England and Wales.

SCHEDULE

1 CASH AWARDS

The rules of the Mereo BioPharma Group Plc Long Term Incentive Plan will apply to a right to receive a cash sum granted under this Schedule as if it was either a Conditional Award (a “Cash Conditional Award”) or a Nil-Cost Option (a “Cash Option”), except as set out in this Schedule. Where there is any conflict between the rules of the Plan and this Schedule, the terms of this Schedule will prevail.

- 1.1 Each Cash Conditional Award or Cash Option will relate to a certain number of notional Shares.
- 1.2 On the Vesting of a Cash Conditional Award or the exercise of a Cash Option the Participant will be entitled to receive a cash sum, calculated by reference to the value of the number of notional Shares to which the Cash Conditional Award or the Cash Option relates, on the following basis:
 - 1.2.1 in the case of a Cash Conditional Award the cash sum will be equal to the Market Value of the notional Shares to which the Cash Conditional Award relates on the date of Vesting; and
 - 1.2.2 in the case of a Cash Option the cash sum will be equal to the Market Value of the notional Shares to which the Cash Option relates on the date of exercise.
- 1.3 The cash sum payable under paragraph 1.2 above will be paid to the Participant as soon as reasonably practicable after the Vesting of the Cash Conditional Award or the exercise of the Cash Option, net of any deductions (including, but not limited to, any Tax Liability or similar liabilities) as may be required by law.
- 1.4 For the avoidance of doubt, a Cash Conditional Award or Cash Option will not confer any right on the holder to receive Shares or any interest in Shares.

IMPACT OF DELISTING FROM AIM

NEW RULE 17 FOR THE PLAN DEEMED INCORPORATED INTO THE RULES OF THE PLAN

APPROVED BY THE BOARD ON 3 DECEMBER 2020

17. IMPACT OF DELISTING FROM AIM

- 17.1 In the event the Company's Shares delist from the Alternative Investment Market in 2020, the following terms shall apply thereafter with immediate effect on the "Effective Date":
- 17.1 Each existing Award held on the Effective Date shall be deemed as modified on the Effective Date to comprise a right to acquire ADS subject its terms rather than a right to acquire Shares subject to its terms. The number of ADS under such modified Awards shall be the result of the number of Shares subject to the relevant Award immediately prior to such modification divided by five (5) and rounded down to the nearest whole ADS (if relevant).
- 17.2 With immediate effect from such aforementioned modifications, where the context requires, reference in the Plan to Shares shall be deemed be references to ADS unless the Board determines otherwise.
- 17.3 The Board shall retain full discretion as to the impact of this Rule 17 as to its application, intended effect and implementation on such basis as it determines appropriate.
- 17.4 ADS means an American Depository Share, representing five (5) Shares.
- 17.5 The Effective Date shall be 18th December 2020 or such later date in 2020 (if any) as the Board determines appropriate by reference to the date the cancellation of the AIM listing becoming effective.

Example:

- The Company delists from AIM on 18 December 2020.
- A nil cost option Award is held over 1,000 ordinary shares.
- Effective on the Effective Date, such Award would be automatically updated go forward on identical terms except it would relate to 200 ADS (as each ADS represents 5 ordinary shares).
- Upon the exercise of such Award (if any), subject to the terms of the Plan, the participant would acquire 200 ADS at a cost of £0 per ADS.

ADDENDUM TO RULES OF THE MERO BIOPHARMA GROUP LIMITED SHARE OPTION SCHEME (SCHEME)

IMPACT OF DELISTING FROM AIM

NEW RULE 16 FOR THE SCHEME DEEMED INCORPORATED INTO THE RULES OF THE SCHEME

APPROVED BY THE BOARD ON 3 DECEMBER 2020

16. IMPACT OF DELISTING FROM AIM

- 16.1 In the event the Company's Shares delist from the Alternative Investment Market in 2020, the following terms shall apply thereafter with immediate effect on the "**Effective Date**":
- 16.1 Each existing Option held on the Effective Date shall be deemed as modified on the Effective Date to comprise a right to acquire ADS subject its terms rather than a right to acquire Shares subject to its terms. The number of ADS under such modified Options shall be the result of the number of Shares subject to the relevant Option immediately prior to such modification divided by five (5) and rounded down to the nearest whole ADS (if relevant).
- 16.2 Such Options, as so modified, shall also have a revised Exercise Price determined as the result of the applicable Exercise Price per Share immediately prior to such modification multiplied by five (5) and converted from GBP into USD and rounded to two decimal places to become the applicable Exercise Price per ADS under the modified Option.
- 16.3 With immediate effect from such aforementioned modifications, where the context requires, reference in the Scheme to Shares shall be deemed be references to ADS unless the Board determines otherwise.
- 16.4 The Board shall retain full discretion as to the impact of this Rule 16 as to its application, intended effect and implementation on such basis as it determines appropriate.
- 16.5 ADS means an American Depository Share, representing five (5) Shares.
- 16.6 The Effective Date shall be 18th December 2020 or such later date in 2020 (if any) as the Board determines appropriate by reference to the date the cancellation of the AIM listing becoming effective.
- 16.7 The GBP to USD exchange rate shall be determined by reference to such reputable source as the Chief Executive approves and determined either by reference to the exchange rate on the Effective Date or an average of the exchange rates over a such period ending on the Effective Date as approved by the Chief Executive.

Example:

- The Company delists from AIM on 18 December 2020.
- The GBP:USD exchange rate on 18 December is 1GBP = 1.316 USD.
- An Option is held over 1,000 ordinary shares and has an exercise price per share of £3.00 per ordinary share acquired on exercise.
- Effective on the Effective Date, such Option would be automatically updated go forward on identical terms except it would relate to 200 ADS (as each ADS represents 5 ordinary shares) and have a revised exercise price of USD 19.74 per ADS (rather than £3 per ordinary share). USD 19.74 the result of $(£3 \times 5) \times 1.316$.
- Upon the exercise of such Option (if any), subject to the terms of the Scheme, the participant would acquire 200 ADS at a cost of USD 19.74 per ADS.

MEREO BIOPHARMA GROUP LIMITED

SHARE OPTION SCHEME

SCHEME RULES

(Adopted by the Board on 8 July 2015)

SHARE OPTION SCHEME

CONTENTS

Rule

1. Definitions and Interpretation
2. Grant of Options
3. Vesting of Options
4. Scheme limits
5. Rights to Exercise Vested Options and Lapse of Options
6. Exercise of Vested Options – Takeover
7. Exercise of Vested Options - Admission
8. Exercise of Vested Options – Trade Sale
9. Winding up of Company
10. Exercise Price, Taxation etc.
11. Variation of Share Capital
12. Administration
13. Amendments
14. General

SHARE OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

In this Scheme, the following words and expressions shall, where the context so permits, have the following meanings:

“Admission”	The admission of the Shares to the Official List of the United Kingdom Listing Authority or the granting of permission for the Shares to be dealt in on the Alternative Investment Market or any other recognised investment exchange (as defined in Section 285 of the Financial Services and Markets Act 2000);
“the Agreement”	the agreement in writing granting an Option pursuant to this Scheme entered into by an Employee and the Grantor in such form as the Board shall from time to time determine;
“Board”	the board of directors for the time being of the Company or, if applicable, a duly authorised Committee thereof;
“City Code”	the City Code on Takeovers and Mergers;
“the Company”	Mereo BioPharma Group Limited registered in England under number 09481161;
“Connected Person”	the meaning given by Section 993 of the Income Tax Act 2007;
“Control” and cognate expressions	the meaning given by Section 995 of the Income Tax Act 2007;
“Date of Grant”	the date on which an Option is granted as evidenced by the Agreement;
“Employee”	an individual who is a bona fide employee of a Group Company
“Exercise Price”	the price determined by the Board at which each Share subject to an Option may be acquired (subject to Rule 11 - variation of share capital) and either:

- (a) specified at the Date of Grant; or
- (b) to be determined at a later date by reference to a formula specified at the Date of Grant,

provided that if Shares are to be subscribed, it may not be less than the nominal value of a Share;

“Good Leaver”

an Optionholder who ceases to be a director or Employee of a Group Company and does not continue or thereupon become a director or Employee with a Group Company where such cessation occurs for one of the following reasons:

- a) injury, ill health or disability (evidenced to the satisfaction of the Board);
- b) redundancy (within the meaning of Part XI of the Employment Rights Act 1996);
- c) the transfer of the undertaking or part-undertaking in which the Optionholder is employed to a person other than a Group Company; or
- d) the Company by which the Optionholder is employed ceasing to be a Group Company; or
- e) any other reason which the Board considers justifies such cessation to be a “good leaver” reason;

“Grantor”

the Company or such other person who grants an Option under this Scheme;

“Group Company”

the Company or any Subsidiary of the Company;

“ITEP Act”

the Income Tax (Earnings and Pensions) Act 2003;

“Option”

a right to acquire Shares pursuant to this Scheme;

“Optionholder”

An individual to whom an Option has been granted which has neither lapsed nor been surrendered or exercised;

“Personal Data”

any personal information which could identify an Optionholder including Options held under this Scheme or options held under any other employees’ share scheme operated by the Company or any other Group Company.

“Personal Representatives”	in relation to the Optionholder the legal personal representatives of the Optionholder (being either the executors of the Optionholder’s will to whom a valid grant of probate has been made or if the Optionholder dies intestate the duly appointed administrator(s) of the Optionholder’s estate) who have provided to the Board satisfactory evidence of their appointment as such;
“Rules”	the rules of this Scheme as amended from time to time;
“this Scheme”	the Mereo BioPharma Group Limited Share Option Scheme, as amended from time to time;
“Shares”	fully paid Ordinary Shares of £0.001 each in the capital of the Company and the expression “Share” shall be construed accordingly;
“Subsidiary”	any company which the Company Controls (on its own or together with any Connected Person);
“Takeover”	means:- <ul style="list-style-type: none"> a) a person obtaining Control of the Company; b) a person becoming bound or entitled to acquire Shares under Sections 979 to 985 of the Companies Act 2006; or c) a Court, under section 899 of the Companies Act 2006, sanctioning a compromise or arrangement proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, provided that, for the purposes of (a) above, a person shall be deemed to have obtained Control of the Company if he and others acting in concert with him have together obtained Control of it;
“Taxes Act”	the Income and Corporation Taxes Act 1988;
“Trade Sale”	the sale by the Company to a person, or to persons who in relation to each other are Connected Persons (other than a Subsidiary) or acting in concert within the meaning of the City Code, of assets or part of the undertaking of the Company representing 51% or more of the assets or turnover or gross profits of the Company, other than as part of a scheme of reconstruction of the Company;

“Vest” means in relation to an Option, and subject to the satisfaction (or waiver) of any conditions imposed pursuant to Rule 3.5, the crystallisation of the Optionholder’s right to exercise such Option (or part thereof) (and “Vests”, “Vesting” and “Vested” shall be construed accordingly);

“Vested Option” an Option or part thereof which has Vested;

“Vesting Schedule” the Vesting Schedule attached to the Agreement.

The Interpretation Act 1978 shall apply hereto as it does to an Act of Parliament. Any references to any statutory provision are to that provision as amended or re-enacted from time to time. Unless the context otherwise requires, words in the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and vice versa and the headings set out below are for guidance only and shall not be used as an aid to the construction of these provisions.

2. GRANT OF OPTIONS

- 2.1 Subject to Rule 2.5, the Grantor may grant an Option to an Employee, director of any Group Company or consultant to the Group at any time.
- 2.2 The right to exercise an Option may be subject to conditions imposed by the Grantor in accordance with Rule 3.5.
- 2.3 As soon as practicable after the Grantor decides to grant an Option to an Employee the Grantor and the Employee shall enter into an enforceable agreement which shall state:
 - (a) the Date of Grant of the Option;
 - (b) the number, or maximum number, of Shares that may be acquired;
 - (c) whether the Option is over issued or unissued shares or a combination;
 - (d) the Exercise Price payable for each Share subject to the Option or the method by which that price is to be determined;
 - (e) any conditions of exercise imposed by the Grantor pursuant to Rule 3.5; and
 - (f) when and how the Option may be exercised.

- 2.4 Subject to the right of a deceased Optionholder's Personal Representatives to exercise an Option in accordance with Rule 5.5, every Option shall be personal to the Employee to whom it is granted and shall not be capable of being transferred, assigned or charged.
- 2.5 An Option shall not be granted unless the Grantor is satisfied at the relevant time (if then applicable) that such grant would not be in breach of any applicable laws, codes or regulations relating to the acquisition of securities by Employees including any internal code of the Company.

3. VESTING OF OPTIONS

- 3.1 When granting an Option, the Grantor may, if in its discretion it thinks fit determine any date or dates prior to the day before the tenth anniversary of its Date of Grant on which the Option Vests in whole or in part, and, where on any date only part Vests, the number of Shares in respect of which it so Vests. Such date or dates being set out in a Vesting Schedule attached to the relevant Agreement.
- 3.2 Subject to Rules 6 (Takeovers) and 8 (Trade Sale), no Option shall Vest or Vest further (as the case may be) following the date on which the Optionholder ceases to hold any office or employment with a Group Company.
- 3.3 The Board may, if in its discretion it thinks fit, accelerate the Vesting of an Option under the Scheme.
- 3.4 Where in relation to any Option no Vesting Schedule has been imposed pursuant to Rule 3.1 that Option shall Vest in full at the Date of Grant.
- 3.5 In addition, the right to exercise an option may be conditional upon the satisfaction of an objective performance condition imposed by the Grantor at the Date of Grant as set out in the Option Agreement. At the discretion of the Board, any such performance condition shall cease to apply in any of the circumstances set out in Rule 5.5 (Death), Rule 5.6 (leavers), Rule 6 (Takeovers) and Rule 8 (Trade Sale).
- 3.6 If, after the Grantor has imposed any performance condition pursuant to Rule 3.5, events occur which cause the Board to consider that such performance condition has become unreasonable, unfair or impractical, the Grantor may in its discretion (provided that such discretion is exercised fairly and reasonably) amend, relax or waive such performance condition provided that any performance condition which is amended or relaxed will be no more difficult to satisfy than when it was originally imposed or last amended or relaxed.
- 3.7 The Grantor shall notify all relevant Optionholders in writing of any amendment, relaxation or waiver of any performance condition made pursuant to Rule 3.6.

4. SCHEME LIMITS

4.1 The maximum number of Shares which may be placed under Option for subscription under this Scheme, when added to the number of Shares allocated for subscription under this or any other employee share scheme adopted by the Company, shall not exceed the limit set out in the Subscription and Shareholders' Agreement relating to the Company dated 28 July 2015.

5. RIGHTS TO EXERCISE AND LAPSE OF OPTIONS

Time for exercise

- 5.1 No Option may be exercised unless and until it Vests and any performance condition specified in the Agreement pursuant to Rule 3.5 (as amended or relaxed or waived pursuant to Rule 3.6) has been satisfied and then, save as provided in Rule 9, only on the occurrence of any of the following:-
- 5.1.1. a Takeover (in accordance with Rule 6); or
 - 5.1.2. an Admission (in accordance with Rule 7); or
 - 5.1.3. a Trade Sale (in accordance with Rule 8).
- 5.2 In the event of an Admission, those Options which have not Vested at the time of the Admission shall continue to Vest in accordance with Rule 3.1 above.
- 5.3 The proportion of an Option which becomes exercisable in accordance with Rule 5.1 shall be exercisable in whole or in part on one or more occasions.
- 5.4 Save as provided in Rules 5.5, 5.6 and 9, a Vested Option may be exercised by an Optionholder only while he is an Employee.

Death of the Optionholder

- 5.5.1 In the event that the Optionholder ceases to hold any office or employment with a Group Company by reason of his death, the Option may be exercised by the Personal Representatives of an Optionholder to the extent that the Option has Vested at the date of death in accordance with Rule 5.1 during the period of one year from and including the date of death of the Optionholder and if not then exercised shall lapse and cease to be exercisable at the end of that period of one year.
- 5.5.2 In the event that the Optionholder dies having ceased to hold any office or employment with a Group Company but before the Option has lapsed, the Option may be exercised by the Personal Representatives of the Optionholder to the extent that the Option has Vested at the date of death in accordance with Rule 5.1 during the period of one year from and including the date of death of the Optionholder and if not then exercised shall lapse and cease to be exercisable at the end of that period of one year.

Cessation of Employment

- 5.6 If an Optionholder ceases to hold any office or employment with a Group Company and does not continue or thereupon become an employee or director with a Group Company the whole of the Option shall lapse (whether or not Vested) unless the Optionholder is a Good Leaver in which event the Option to the extent that the Option has Vested at the date of cessation may be exercised in accordance with Rule 5.1 during such period as the Board shall determine and communicate in writing to the Optionholder, following the expiration of which the Option shall lapse.

Lapse of Options

- 5.7 An Option (whether or not Vested) shall lapse on the occurrence of the earliest of the following:-
- (a) the day before the tenth anniversary of the Date of Grant;
 - (b) the expiry of the period (if any) allowed for the satisfaction of any performance condition pursuant to Rule 3.5 and set out in the Agreement without such performance condition having been satisfied or the date on which it comes apparent to the Board that any such performance condition has become incapable of being satisfied;
 - (c) the expiry of the applicable period specified in Rules 5.5.1 and 5.5.2 (Death);
 - (d) the date on which the Optionholder ceases to hold any office or employment with a Group Company or, if a director, ceases to be a director of any Group Company for any reason other than his death unless the Optionholder is a Good Leaver in which event only Options that have not Vested at the date of cessation of employment shall lapse on the date of cessation of employment;
 - (e) the end of the period which is the shorter of 40 days immediately following the completion of a Takeover or a Trade Sale or any compulsory acquisition period;
 - (f) the expiry of the applicable periods specified in Rule 9 (Winding Up of the Company);
 - (g) the date on which a resolution is passed, or an order is made by the Court, for the compulsory winding up of the Company; and

- (h) the date on which the Optionholder becomes bankrupt or does or omits to do anything as a result of which he is deprived of the legal or beneficial ownership of the Option.

Miscellaneous Provisions

- 5.8.1 For the purposes of this Rule 5 the Optionholder ceases to hold office or employment with a Group Company:
 - (a) if by reason of his resignation, on the date the Optionholder gives such notice of resignation;
 - (b) if by reason of dismissal for cause, on the date the Optionholder receives such notice of dismissal; or
 - (c) in any other case, on the date that the Optionholder no longer holds any office or employment with the Company or any Subsidiary.
- 5.8.2 A female Optionholder who is absent from her office or employment because of her pregnancy and who is entitled by contract or by virtue of Chapter I of Part VII of the Employment Rights Act 1996 to return to work, shall be deemed for the purposes of these Rules not to have ceased to hold office or be employed by any Group Company until such time as the female Optionholder is no longer entitled to return to work.
- 5.8.3 An Optionholder who is absent from their office or employment because of any entitlement to parental leave either by contract or by virtue of Chapter II of Part VIII of the Employment Rights Act 1996 to return to work shall be deemed for the purposes of these Rules not to have ceased to hold office or be employed by any Group Company until such time as the Optionholder is no longer entitled to return to work.
- 5.8.4 In their absolute discretion the Board may extend any period of 40 days referred to above (but not so as to exceed the day before the tenth anniversary of the Date of Grant and/or to extend the period specified in Rule 5.5 (Death)).

6. EXERCISE OF VESTED OPTIONS - TAKEOVER

- 6.1. In the event of a Takeover, all valid Options shall, to the extent not already Vested, immediately Vest in full and the Grantor shall give such notice, as it shall deem reasonable in the circumstances, to each Optionholder who holds unexercised Options. Each such Optionholder shall be entitled, until the end of the period of 40 days immediately following the completion of a Takeover, to exercise any such Option by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Any such acceleration of Vesting and the exercise of Options that have Vested shall be:

- 6.1.1 conditional upon the Takeover becoming unconditional in all respects (save for any condition relating to the transfer of Shares pursuant to the exercise of the Options); and
 - 6.1.2 subject to the relevant Optionholders unconditionally accepting the terms of the Takeover on the same terms as the holders of other Shares.
- 6.2 Prior to the completion of the Takeover (but subject to Rules 10.1, 10.2 and 10.3) the Grantor shall allot or procure the transfer of the Shares in respect of which any Options have been validly exercised to the relevant Optionholder and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

7. EXERCISE OF VESTED OPTIONS – ADMISSION

At any time after an Admission, any Option that has Vested may be exercised by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Subject to Rules 10.1, 10.2 and 10.3, within 30 days of the exercise of an Option pursuant to this Rule, the Grantor shall allot or procure the transfer of the Shares in respect of which the Option has been validly exercised and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

8. EXERCISE OF VESTED OPTIONS – TRADE SALE

In the event of a Trade Sale, all valid Options shall, to the extent not already Vested, immediately Vest in full and the Grantor shall give such notice, as it shall deem reasonable in the circumstances, to each Optionholder who holds valid unexercised Options. Each such Optionholder shall be entitled, at the end of the period of 40 days immediately following the completion of a Trade Sale, to exercise any such Option by notice in writing (in the form prescribed by the Grantor from time to time) given by the Optionholder (or his Personal Representatives as the case may be) to the Grantor. Any such acceleration of Vesting and the exercise of Options that have Vested shall be conditional upon the Trade Sale becoming unconditional in all respects. Prior to the completion of the Trade Sale (but subject to Rules 10.1, 10.2 and 10.3), the Grantor shall allot or procure the transfer of the Shares in respect of which any Options have been validly exercised to the relevant Optionholder and the Company shall issue a definitive certificate or such other acknowledgement of shareholding as is from time to time permitted by the Company.

9. WINDING UP OF THE COMPANY

- 9.1 If either:
- 9.1.1 the Company passes a resolution for its voluntary winding up; or
 - 9.1.2 a winding up order is made by the court in relation to the Company

the Grantor shall immediately give notice to the Optionholder, such notice to include the date the resolution was passed or the winding up order made (in either case the "Operative Date") such that the Optionholder has the opportunity to exercise any Option which has Vested;

- 9.2 In the event the Optionholder exercised any Option under Rule 9.1 he will be entitled to rank in the winding up of the Company to the same extent to which he would have been so entitled to rank if he had been the holder of all such Shares (ignoring fractions);
- 9.3 There shall be deducted from the amounts (if any) due to the Optionholder on the winding up the aggregate of the Exercise Prices payable for such Shares.

10. EXERCISE PRICE, TAXATION ETC

- 10.1 Unless and to the extent the Board decide otherwise, the notice of exercise of the Option shall be accompanied by a remittance in cleared funds for the aggregate of the Exercise Prices payable.
- 10.2 An Option may be granted subject to the condition that the Optionholder shall meet the Company's, or such Group Company's (if not the Company's), or Grantor's Secondary Class 1 National Insurance Contributions due, if any, on the exercise, cancellation or release of the Option. For this purpose, the Optionholder may be required, if requested by the Company, or the Employer Company (if not the Company) or Grantor at any time before the exercise, cancellation or release of the Option, to enter into an agreement to reimburse or an election to transfer liability for such Secondary Class I National Insurance Contributions in a form approved by HM Revenue & Customs and acceptable to the Company, Employer Company (if not the Company) or Grantor and to enter into such arrangements as may be approved by HM Revenue & Customs in order to secure that the payment of such liabilities is made on a timely basis.
- 10.3 If any Group Company or Grantor is liable to account for tax or social security contributions (in any jurisdiction) for which an Optionholder is liable by virtue of the exercise of the Option that or any other Group Company or the Grantor or the trustee of any trust which is intended to be an employees' share scheme pursuant to Section 1166 of the Companies Act 2006 may:
- (a) withhold the appropriate amount of tax or social security from the Optionholder's remuneration; or
 - (b) make such other arrangements as it considers necessary (including the sale of Shares on behalf of the Optionholder) to finance the amounts in (a) above,

unless the Optionholder discharges the liability himself at the date of exercise of the Option.

- 10.4 Shares allotted under this Scheme shall rank pari passu in all respects with the Shares of the same class for the time being in issue save as regards any rights attaching to such Shares by reference to a record date prior to the date of allotment and in the case of a transfer of existing Shares the transferee shall not acquire any rights attaching to such Shares by reference to a record date prior to the date of such transfer.
- 10.5 The exercise of any Option (in whole or in part) shall not be permitted at a time when (if then applicable) such exercise would be in breach of any applicable laws, codes or regulations relating to the acquisition of securities, including any internal code of the Company.

11. VARIATION OF SHARE CAPITAL

- 11.1 In the event of any capitalisation, rights issue, consolidation, subdivision, reduction or other variation of the share capital of the Company:
- (a) the number of Shares comprised in an Option;
 - (b) the Exercise Price in respect of such Shares;
 - (c) where an Option has been exercised pursuant to the provisions of these Rules but no Shares have been allotted or transferred in satisfaction of such exercise, the number of Shares to be so allotted or transferred and the Exercise Price in respect of such Shares,
- may be varied in such manner as the Board shall determine to be in their opinion fair and reasonable, provided that, except as provided in Rules 11.2 and 11.3, no variation shall be made which would result in the Exercise Price for an allotted Share being less than its nominal value.
- 11.2 Any adjustment made to the Exercise Price of unissued Shares which would have the effect of reducing the Exercise Price to less than the nominal value of the Shares shall only be made if and to the extent that the Board are authorised to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercisable exceeds the adjusted Exercise Price. The Board may apply such sum in paying up such amount on such Shares so that on the exercise of any Option in respect of which such a reduction shall have been made, the Board shall capitalise such sum (if any) and apply the same in paying up such amount as aforesaid.
- 11.3 Where an Option subsists over both issued and unissued Shares, an adjustment may only be made under Rule 11.2 if the reduction of the Exercise Price in relation to Options over both issued and unissued Shares can be made to the same extent.
- 11.4 The Board may take such steps as they consider necessary to notify Optionholders of any adjustment made under this Rule 11 and to call in, cancel, endorse, issue or re-issue any Agreement consequent upon such adjustment.

12. ADMINISTRATION

- 12.1 The Board shall have power from time to time to make and vary such regulations (not being inconsistent with this Scheme) for the implementation and administration of this Scheme and/or the Agreement as they think fit.
- 12.2 The decision of the Board shall be final and binding in all matters relating to this.
- 12.3 The costs of establishing and administering this Scheme shall be borne by the Company.
- 12.4 The Company may, but shall not be obliged to, provide Optionholders with copies of any notices circulars or other documents sent to shareholders of the Company.

13. AMENDMENTS

- 13.1 The Board may alter or add to all or any of the Rules of this Scheme in any respect with effect from a current, future or past date by a resolution of the Board provided that where any alteration would abrogate or adversely affect the subsisting rights of an Optionholder it will not be effective unless such alteration is made with the consent in writing of holders of more than 50% of the Shares which would be issued if all the Options affected by the alteration were exercised in full.
- 13.2 Notwithstanding Rule 13.1, the Board may alter or add to all or any of the provisions of this Scheme and/or Agreement and the terms of any Options as they consider necessary or desirable in order to:
 - (a) make the administration of this Scheme more effective or easier;
 - (b) comply with or take account of the provisions of any proposed or existing legislation;
 - (c) take account of any of the events mentioned in Rules 6, 7 and 8; or
 - (d) obtain or maintain favourable tax or regulatory treatment for the Company or any Group Company or any Optionholder, without the need for the consent of Optionholders provided that such amendments or additions do not affect the basic principles of this Scheme and/or Agreements.
- 13.3 Written notice of any amendment to this Scheme shall be given to all Optionholders affected thereby.

14. GENERAL

- 14.1 This Scheme shall commence upon the date the Board adopt this Scheme and shall (unless previously terminated by a resolution of the Board) terminate on the expiry of the period of ten years from such date. On termination no further Options may be granted but such termination shall be without prejudice to any accrued rights in existence at the date thereof.
- 14.2 The Company will at all times keep available sufficient authorised and unissued Shares, or shall ensure that sufficient Shares will be available, to satisfy the exercise to the full extent still possible of all Options not lapsed pursuant to the provisions of these Rules, taking account of any other obligations of the Company to issue Shares.
- 14.3 Notwithstanding any other provision of this Scheme:
- (a) this Scheme shall not form part of any contract of employment between any Group Company and any Employee of any such company and the rights and obligations of any individual under the terms of his office or employment with any Group Company shall not be affected by his participation in this Scheme or any right which he may have to participate in it and this Scheme shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever, including if such termination of employment was lawful or unlawful;
 - (b) no Optionholder shall be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Option in consequence of the loss or termination of his office or employment with any Group Company for any reason whatsoever including if such termination of employment was lawful or unlawful;
 - (c) this Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against any Group Company directly or indirectly, or give rise to any cause of action at law or in equity against any Group Company.
- 14.4 Save as otherwise provided in this Scheme any notice or communication to be given by the Company to any Optionholder may be personally delivered or sent by email or by ordinary post to his last known address. Where a notice or communication is sent by post it shall be deemed to have been received 48 hours after the same was put into the post properly addressed and stamped and where a notice or communication is sent by email it shall be deemed to have been received on receipt of a delivery receipt confirmation email. Share certificates and other communications sent by post will be sent at the risk of the Optionholder concerned and the Company shall have no liability whatsoever to any such person in respect of any notification, document, share certificate or other communication so given, sent or made.

- 14.5 Any notice to be given to the Company shall be delivered or sent by either post or email to the Company at its registered office and shall be effective upon receipt.
- 14.6 This Scheme and all Options granted under it shall be governed by and construed in accordance with English law.

15. DATA PROTECTION

- 15.1 In accepting the grant of an Option each Optionholder consents to the collection, holding, processing and transfer of his Personal Data by the Company or any Grantor for all purposes connected with the operation of this Scheme.
- 15.2 The purposes connected with the operation of this Scheme referred to in Rule 15.1 include, but are not limited to:
- (a) holding and maintaining details of the Optionholder's Options;
 - (b) transferring the Optionholder's Personal Data to the trustee of an employee benefit trust, the Company's registrars or brokers or any administrators of the Scheme; and
 - (c) transferring the Optionholder's Personal Data to a bona fide prospective buyer of the Company or the prospective buyer's advisers, provided that the prospective buyer, and its advisers, irrevocably agree to use the Optionholder's Personal Data only in connection with the proposed transaction and in accordance with the data protection principles set out in the Data Protection Act 1998; and
 - (d) transferring the Optionholder's Personal Data under rule 15.2(b) or rule 15.2(c) to a person who is resident in a country or territory outside the European Economic Area that may not provide the same statutory protection for the information as countries within the European Economic Area.