

**DOTDIGITAL GROUP PLC**

(Incorporated and registered in England and Wales under company number 06289659)

Registered office:  
No1 London Bridge  
London Bridge Street  
London  
SE1 9BG

14<sup>th</sup> November 2014

**LETTER FROM THE CHAIRMAN**

Dear Shareholder,

**2014 ANNUAL GENERAL MEETING**

Our Annual General Meeting will take place at No1 London Bridge, London Bridge Street, London, SE1 9BG on Tuesday 16<sup>th</sup> December 2014. It will start at 11.30 am, and I hope you can join us there.

Over the following pages you will find the Notice of Meeting, together with notes explaining the business to be considered on the day. You will also find a copy of the annual report with this notice which describes dotdigital group's performance.

The directors are recommending a final dividend of 0.2p per ordinary share (an uplift of 100% over last year) and, assuming that the resolution set out as Resolution 6 is passed, it will be paid on 30 January 2015 to those shareholders on the register on 9 January 2015. To this end we enclose a dividend mandate which we would ask that you complete and return to our registrars, Share Registrars Limited, whose address is in note 1 to the Notice. Payment of dividends through the BACS system is not compulsory but avoids the risk of loss through the postal system.

The votes of all shareholders count, whether they attend the meeting or not. If you cannot attend the meeting I would urge you to appoint and instruct a proxy to vote on your behalf. The board recommends that you support all of the Resolutions put before you.

On behalf of the Board, I look forward to welcoming you to dotdigital group's 2014 Annual General Meeting.

**Frank Beechinor-Collins**  
Chairman

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or transferred all your ordinary shares in dotdigital group plc ("Company"), you should pass this document and the annual report and financial statements of dotdigital group plc for the year ended 30 June 2014 and the form of proxy, without delay, to the stockbroker, bank or other person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of dotdigital group plc ("the **Company**") will be held at No1 London Bridge, London Bridge Street, London, SE1 9BG on 16<sup>th</sup> December 2014 at 11.30am for the following purposes:

### **Ordinary Business**

1. To receive the financial statements for the year ended 30 June 2014 together with the reports of the Directors and auditor thereon.
2. To re-elect Peter Simmonds as a Director retiring by rotation.
3. To re-elect Simone Barratt as a Director retiring by rotation.
4. To re-elect Milan Patel as a Director of the Company in accordance with the Articles of Association (having been appointed by the board since the previous AGM).
5. To reappoint Jeffreys Henry LLP as auditor of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company and to authorise the Directors to determine the auditor's remuneration.
6. To declare a final dividend of 0.2 pence per ordinary share for the year ended 30 June 2014, such dividend to be paid on 30 January 2015 to holders of ordinary shares on the Company's register of members at the close of business on 9 January 2015.

### **Special Business**

To consider and, if thought fit, to pass the following resolutions which will be proposed as an ordinary resolution as to resolutions 7 and 9 and as a special resolution as to resolution 8:

7. That the directors of the Company be and are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise any and all powers of the Company to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company ("**Rights**") up to an aggregate nominal value of **£142,151** to such persons and at such times and on such terms as they think proper such authority to be in substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 7 **PROVIDED THAT** unless previously renewed, revoked, varied or extended this authority hereby given shall expire on the date falling 15 months from the date of the passing of this resolution or if earlier on the conclusion of the next Annual General Meeting of the Company save that the Company may at any time before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares or grant Rights in pursuance of such an offer or agreement as if this authority had not expired.
8. That, subject to the passing of Resolution 7, the directors of the Company now be and are authorised pursuant to section 570 of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority conferred on the directors under section 551 of the Act pursuant to Resolution 7 above for the duration of such authority, as if the provisions of section 561 of the Act did not apply to such allotment, with such authority to be in

substitution for any equivalent authority which may have been granted to the directors prior to the passing of this Resolution 7, **PROVIDED THAT** this power shall be limited to the allotment of equity securities:

- i) in connection with a rights issue, open offer or any other pre-emptive offer in favour of holders of equity securities (as required by the rights of such securities) in proportion (as nearly as may be) to the respective amounts of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with treasury shares, fractional entitlements, record dates or legal or practical difficulties under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory or otherwise; and
- ii) (other than pursuant to sub paragraph (i) above) up to an aggregate nominal value equal to **£142,151**

save that the Company may, prior to the expiry of such power, make any offer or agreement which requires or might require such equity securities to be allotted after the expiry of such period.

9. That, the Company be generally and unconditionally authorised, pursuant to the Articles of Association of the Company and pursuant to section 701 of the Act, to make market purchases (as defined in section 693(4) of the Act) of up to 28,430,207 Ordinary Shares of 0.5p each ("**Ordinary Shares**") in the capital of the Company (being approximately 10 per cent. of the current issued ordinary share capital of the Company) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
  - (a) the amount paid for each Ordinary Share (exclusive of expenses) shall not be less than 0.5p per Ordinary Share nor more than the higher of (1) five per cent. above the average of the middle market quotation for Ordinary Shares as derived from the AIM Section of the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the London Stock Exchange trading system; and
  - (b) the authority herein contained shall expire at the conclusion of the next annual general meeting of the Company to be held in 2015 or on 16 December 2015, whichever is earlier, provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred had not expired.
10. That, the Company's proposed Executive Long-Term Incentive Plan ("LTIP"), constituted by the rules produced to the Meeting and initialed by the Chairman for the purposes of identification (the principal terms of which are summarised in Appendix 1 of this Notice) be approved and the Directors of the Company be and are hereby authorised:
  - (a) to do all such acts and things as they consider necessary or desirable for the purposes and implementing and giving effect to the LTIP; and
  - (b) to establish such further schemes based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories provided that any shares made available under any such schemes are treated as counting against the limits on individual or overall participation in the LTIP.

By Order of the Board

**Milan Patel**  
*Secretary*  
**14<sup>th</sup> November 2014**

**Registered Office**  
No1 London Bridge  
London Bridge Street  
London  
SE1 9BG

## NOTES

1. A member entitled to attend and vote at the Annual General Meeting (“**AGM**”) may appoint a proxy (who need not be a member of the Company) to attend, speak and vote on his or her behalf. In order to be valid, an appointment of proxy must be returned by one of the following methods:
  - in hard copy in the form enclosed together with the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, by post, by courier or by hand to the Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited at proxies@shareregistrars.uk.com. The form of proxy must be signed by the shareholder appointing the proxy or by his/her attorney authorised in writing. If the shareholder is a corporation, the form of proxy should be sealed with its common seal or signed by an officer or an attorney of the corporation or other person authorised to sign it; or
  - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below:and in each case to be valid must be received by the Company not less than 48 hours (excluding any part of a day that is not a working day) before the time of the meeting or the adjourned meeting.
2. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
3. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a ‘**CREST Proxy Instruction**’) must be properly authenticated in accordance with Euroclear UK & Ireland’s (‘**EUI**’) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent (ID: 7RA36) is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
4. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded. Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL, tel. 01252 821390.
5. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. The revocation notice must be received by Share Registrars Limited not less than 48 hours (excluding any part of a day that is not a working day) before the time of the meeting or the adjourned meeting. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
6. The completion of a proxy does not preclude a member from attending the AGM and voting in person.
7. Copies of the service and consultancy agreements of the Directors with the Company, or with any of its subsidiaries, will be available for inspection at the registered office of the Company during usual business hours from the date of this Notice until the close of the AGM and also at the place of the AGM for at least 15 minutes prior to and during the AGM.
8. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18 (c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only those shareholders who are registered on the Company’s register of members at 11.30am on 12 December 2014 shall be entitled to attend the AGM and to vote in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the register of members after 11.30am on 12 December 2014 shall be disregarded in determining the rights of any person to attend and/or vote at AGM.
9. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

## **EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING**

The notice of the Annual General Meeting to be held on 16 December 2014 is set out on page 2. The following notes provide an explanation as to why the resolutions set out in the notice are to be put to shareholders.

### **Resolution 1 – Adoption of Accounts**

English company law requires the Directors to present the accounts to a general meeting of the shareholders.

### **Resolution 2 - Re-election of Director Retiring by Rotation**

The Company has seven Directors and the Articles of Association provides for one-third of them to retire by rotation and where such number is not a whole number then the number nearest to but not exceeding one third shall retire. The longest serving directors have to offer themselves for re-election first. The length of time a Director has been in office is computed from the date of his appointment or re-election and where they have served for an equal amount of time then they shall agree who is to retire or be chosen by lot.

### **Resolution 3 - Re-election of Director Retiring by Rotation**

The Company has seven Directors and the Articles of Association provides for one-third of them to retire by rotation and where such number is not a whole number then the number nearest to but not exceeding one third shall retire. The longest serving directors have to offer themselves for re-election first. The length of time a Director has been in office is computed from the date of his appointment or re-election and where they have served for an equal amount of time then they shall agree who is to retire or be chosen by lot.

### **Resolution 4 - Re-election of Director Retiring by Rotation**

The Articles of Association require any Director appointed since the previous AGM to retire at the AGM following their appointment. As he was appointed since the previous AGM Milan Patel will retire and offer himself for re-election.

### **Resolution 5 – Re-appointment of Auditors**

By this resolution, the Company will re-appoint Jeffrey Henry as auditors and the Directors are seeking shareholder approval to such appointment and the ability to determine the amount of their fees.

### **Resolution 6 – Authority to the Directors to Declare a Dividend**

The Directors recommend a dividend of 0.2 pence per share. The final dividend cannot exceed the amount recommended by the Directors. If approved by the shareholders, the final dividend will be paid on 30 January 2015 to those shareholders on the register as at 9 January 2015.

### **Resolution 7 – Authority to the Directors to Allot Shares**

Under the Act, the Directors of a Company may only allot shares if authorised to do so. Whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, resolution number 7 will be proposed as an ordinary resolution to grant a new authority to allot the unissued share capital. If given, this authority will expire five years from the date of this resolution unless previously renewed, revoked or varied by the Company in general meeting. Although the Directors currently have no present intention of exercising this authority, passing this resolution will allow the Directors flexibility to act in the best interests of shareholders when opportunities arise.

### **Resolution 8 – Disapplication of Statutory Pre-emption Rights**

Your Directors also require additional authority from shareholders to allot shares where they propose to do so for cash and otherwise than to existing shareholders pro rata to their holdings. Again, whilst the current authority has not yet expired, it is customary to grant a new authority at each Annual General Meeting. Accordingly, this resolution will be proposed as a special resolution to grant such authority over all the unissued shares.

### **Resolution 9 – Authority to Purchase Own Shares**

Resolution 9 will be proposed as an ordinary resolution to give the Company authority to purchase its own shares in the market during the period until the next Annual General Meeting of the Company or 16 December 2015, whichever is earlier, for up to 28,430,207 Ordinary Shares, representing approximately 10 per cent of the issued ordinary share capital of the Company as at 13 November 2014 (being the last practicable date prior to the publication of this Notice of Annual General Meeting). The price payable shall not be more than five per cent. above the average of the middle market quotation as derived from the AIM Section of the Daily Official List of the London Stock Exchange plc for the Ordinary Shares for the five business days before the purchase is made and in any event not more than the higher of the price of the last independent trade and current independent bid as derived from the London Stock Exchange trading system and not less than 0.5p per share, being the nominal value of the shares.

It is the Directors' intention only to exercise the authority to purchase the Company's shares where it would increase the earnings per share of those Ordinary Shares that are not re-purchased. This power will only be used if the Directors consider that to do so would be in the best interests of shareholders generally. Save to the extent purchased pursuant to the regulations concerning treasury shares any Ordinary Shares purchased in this way will be cancelled and the number of shares in issue will be accordingly reduced. The Company may hold in treasury any of its own Ordinary Shares that it purchases pursuant to the

relevant regulations and the authority conferred by this resolution. This would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide the Company with greater flexibility in the management of its capital base. As at 13 November 2014 (the last practicable date prior to the publication of this Notice of Annual General Meeting) options to subscribe for a total of 12,202,724 Ordinary Shares were outstanding under the Company's employee share schemes representing 4.29 per cent of the issued share capital of the Company at that date and 4.77 per cent of the issued share capital of the Company if the authority sought by this resolution were to be exercised in full.

**Resolution 10 – Approve the Executive Long Term Incentive Plan**

Resolution 10 will be proposed as an authority to introduce the LTIP as summarized in Appendix 1 of this notice. This resolution will provide the Directors of the Company with the authority to adopt the LTIP and do all acts and things which they consider necessary or expedient to establish and operate the LTIP.

dotdigital group plc

(the "Company")

**FORM OF PROXY - AGM**

I/We the undersigned, being a member/members of the above-named company, hereby appoint

.....  
or, failing him, the Chairman of the meeting, as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on 16 December 2014 at 11.30am and any adjournment thereof. The proxy will vote on the under-mentioned resolutions, as indicated.

(PLEASE INDICATE WITH AN 'X' IN THE BOXES BELOW)

<b>RESOLUTIONS</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>ORDINARY BUSINESS:</b>			
Resolution 1:  To receive the Directors' and Auditors' Report and Audited Accounts for the year ended 30 June 2014.			
Resolution 2:  To re-elect Peter Simmonds as a Director.			
Resolution 3:  To re-elect Simone Barratt as a Director.			
Resolution 4:  To re-elect Milan Patel as a Director			
Resolution 5:  To re-appoint Jeffrey's Henry LLP as auditors to the Company and to authorise and approve the Directors to fix their remuneration.			
Resolution 6:  To declare a final dividend of 0.2 pence per ordinary share.			
<b>SPECIAL BUSINESS:</b>			
Resolution 7:  To authorise the Directors to allot relevant securities generally pursuant to section 551 of Companies Act 2006.			
Resolution 8:  To disapply the statutory pre-emption rights conferred by Section 561 of the Companies Act 2006. (Special Resolution)			
Resolution 9:  To authorise the Company to purchase its own shares.			
Resolution 10:  To approve the Company's Executive Long Term Incentive Plan			

*If this form is signed and returned without any indication as to how the proxy shall vote, he will exercise his discretion both as to how he votes (and whether or not he abstains from voting).*

**PRINT NAME:** .....

**DATE:** .....

**SIGNATURE:** .....

## **Notes to the proxy form - AGM**

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.
5. To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be (i) completed and signed (ii) sent or delivered to Registrars of the Company, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or by fax to Share Registrars Limited on 01252 719232 or by scan and email to Share Registrars Limited to proxies@shareregistrars.uk.com and (iii) received by the Registrars of the Company no later than 48 hours (excluding any part of a day that is not a working day) before the time of the Annual General Meeting (or any adjournment thereof).
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, the signature of the holder whose name stands first in the relevant Register of Members will suffice as the vote of such holders and shall be accepted to the exclusion of the votes of the other joint holders. The names of all joint holders should, however, be shown. CREST members should use the CREST electronic proxy appointment service and refer to notes 13-16 below in relation to the submission of a proxy appointment via CREST.
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. For details of how to change your proxy instructions or revoke your proxy appointment, see the notes to the notice of meeting.
12. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.
13. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
14. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: **7RA36**) by the latest time(s) for receipt of proxy appointments specified in the notice of AGM. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
15. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
16. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.



17. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001 and paragraph 18 (c) of the Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009, only those persons whose names are entered on the Register of Members of the Company at 11:30am on 12 December 2014 shall be entitled to attend and vote in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the AGM.

## **APPENDIX 1 – Key Terms of the proposed dotdigital group plc - Long Term Incentive Plan**

### **Background and Summary**

#### **Introduction**

This appendix sets out the details and context for Resolution 10 set out in the Notice convening the Annual General Meeting of the Company. This resolution proposes the introduction of the dotdigital group plc Long-Term Incentive Plan (“LTIP”). The principal terms of the LTIP are summarised in this appendix.

#### **Background**

The Remuneration Committee (the “Committee”), has completed a review of the Company’s remuneration framework with respect to the Chief Executive. This review has been necessitated by the following factors:

- a) The need to hire and retain a high caliber individual into the role
- b) The need to provide a strong link between the Company’s strategy and targets and the Chief Executive’s remuneration;
- c) a desire by the Committee to align the interests of executives with shareholder returns over the longer term and to increase the Chief Executive’s shareholding.

The output from this review is a new remuneration structure which the Committee believes is fit for purpose and aligned to the business strategy of the Company over the next phase of its development with the key focus around the development of a continued profitable growth strategy.

#### **Operation of our new long-term incentive**

The Committee proposes to adopt performance metrics for the LTIP award which support the business strategy with the aim of driving high and sustained performance that will lead to the creation of value for shareholders. These metrics are Revenue Growth, Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) Growth and Increased share price.

#### **The new LTIP overview**

The Committee is proposing to make annual awards under the proposed LTIP. Performance will be measured annually during the three year performance period and shares will vest to the extent to which the performance targets have been achieved in accordance with the table set out below.

#### **The proposed level of awards**

The proposed award will be up to 240% of base salary for the Chief Executive Officer based on the percentage of targets achieved.

#### **The performance conditions**

Vesting of awards granted under the proposed LTIP will be subject to continued employment, satisfaction of the performance conditions and any other terms or conditions determined at grant.

The Committee believes that using the three metrics of Revenue, EBITDA and share price represents a good balance between the delivery of earnings and external market performance. They will act as a transparent assessment of the successful execution of the Company’s business strategy, returns created for shareholders and metrics which are recognised as key drivers for the Company.

In setting the targets for the proposed LTIP award, which are set out below, the Committee has carefully considered the business strategy and market forecasts regarding dotdigital’s future growth trajectory.

The performance conditions and targets for the award are:

	<u>FY 14/15</u>	<u>FY15/16</u>	<u>FY16/17</u>
Revenue	21.4	27.8	*
EBITDA	6.3	9.8	*
Share Price	35p	42p	*

*\* Year 3 numbers to be ratified in March 2015 once year 3 plans and guidance have been approved by the board and communicated.*

Each Performance element will be awarded a 1/3 weighting of the overall annual value of £330k (Hitting 100% of target) worth of shares based on the average mid-market price measured over 5 days starting 30 working days after the results announcement.

At the end of each financial year the remuneration committee will assess the actual performance against the criteria.

For each criteria the value of shares that is awarded will be assessed against the performance percentage based in the below table for all 3 years:

<b>Of performance target</b>	<b>Revenue</b>	<b>EBITDA</b>	<b>Share price</b>	<b>TOTAL</b>
90%	90,000	90,000	90,000	270,000
100%	110,000	110,000	110,000	330,000
110%	121,000	121,000	121,000	363,000
120%	132,000	132,000	132,000	396,000

*\* The share price will be calculated by the average mid-market price 30 days preceding and 30 days after the annual results announcement.*

The volume of shares will be banked each year based on the above criteria but will be allocated to the Executive Director at a nil cost over a 3 year period following the end of FY16/17.

#### **Recommendation from the Board**

The Directors consider the proposed arrangements to be in the best interests of the Company and its shareholders as a whole and recommends that you vote in favor of Resolution 10.

## Key terms of the new dotdigital group plc Long-Term Incentive Plan

The table below provides the key terms of the new LTIP:

Term	Detail																
Operation	The Committee will supervise the operation of the LTIP.																
Eligibility and participation	Chief Executive																
Award levels	Annual limit of up to 240% of base salary.																
Performance conditions	<p>The vesting of the awards will be subject to continued employment with the Company, satisfaction of the performance targets and any other terms or conditions determined at the grant stage.</p> <p>The performance conditions for the grants to be made in 2014 are set out above in this Appendix.</p>																
Holding period post vesting	<p>The vested shares will be released in accordance with the table below following the end of the three year performance period.</p> <table border="1" data-bbox="783 943 1230 1111"> <thead> <tr> <th colspan="4">Vested Value Released</th> </tr> <tr> <th></th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> </tr> </thead> <tbody> <tr> <td>50%</td> <td>Nov-17</td> <td>Nov-18</td> <td>Nov-19</td> </tr> <tr> <td>50%</td> <td>Nov-18</td> <td>Nov-19</td> <td>Nov-20</td> </tr> </tbody> </table>	Vested Value Released					Year 1	Year 2	Year 3	50%	Nov-17	Nov-18	Nov-19	50%	Nov-18	Nov-19	Nov-20
Vested Value Released																	
	Year 1	Year 2	Year 3														
50%	Nov-17	Nov-18	Nov-19														
50%	Nov-18	Nov-19	Nov-20														
	<p>Should the individual leave as a “good leaver” between years one and three, all vested shares will be released immediately on cessation of employment.</p>																
Clawback and malus	<p>The Committee may, at the time of vesting or at any time before, reduce the vesting level of awards in special circumstances and general malus principles will be applicable upon the discovery of deficient performance.</p> <p>Clawback will apply on share awards in the event of mis-booking of reserves, a misstatement of earnings, censure by a regulatory authority or any other serious damage to the Company reputation.</p>																
Corporate dilution limits	<p>The number of shares allocated under awards (or any other share scheme) in a ten year period and which are to be satisfied by newly issued or treasury shares cannot exceed 10% of the Company’s issued share capital.</p> <p>In addition to newly issued shares and treasury shares, awards can be settled through the use of market purchase shares.</p>																
Cessation of employment	The Remuneration Committee will have absolute discretion to determine whether a leaver is classified as a “good leaver”.																

Good leaver will be defined as death; ill-health; injury or disability; retirement with agreement of employer; employing company ceasing to be a Group company; transfer of employment to a company which is not a Group company; redundancy; and any other reason as determined at the discretion of the Remuneration Committee.

Awards shall vest for a good leaver on the normal vesting date.

The number of awards vesting for a good leaver will be dependent upon the proportionate satisfaction of the performance conditions at vesting of the award and time pro-ration based on time elapsed from the date of grant and the cessation of employment.

In all other circumstances, for example if an employee leaves for a competitor or is summarily dismissed, all unvested awards are forfeited.

#### Change of control

the level of awards that vest will be dependent upon the proportionate satisfaction of the performance conditions at the point of the change of control and time pro-ration based on time elapsed from the date of grant and the change of control.

The Committee has discretion to disapply time pro-ration in circumstances that it feels are fair and appropriate. For the avoidance of doubt, the application of discretion will be carefully considered to each individual award and will not be applied in aggregate to all outstanding awards.