TAVETA INVESTMENTS (NO. 2) LIMITED
RETAIL ACQUISITIONS LIMITED
BHS GROUP LIMITED
and
ARCADIA GROUP LIMITED

FRAMEWORK AGREEMENT

Linklaters
Linklaters LLP
One Silk Street
London EC2Y 8HQ

Telephone (44-20) 7456 2000
Facsimile (44-20) 7456 2222
Ref. Project Harvey
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This Framework Agreement (the "Agreement") is made on June 2015 between:

(1) **TAVETA INVESTMENTS (NO. 2) LIMITED**, a company incorporated in England and Wales (registered number 05137091) whose registered office is at Colegrave House, 70 Berners Street, London W1T 3NL ("Taveta");

(2) **RETAIL ACQUISITIONS LIMITED**, a company incorporated in England and Wales (registered number 09320475) whose registered office is at c/o Calder & Co, 16 Charles II Street, London SW1Y 4NW ("RAL");

(3) **BHS GROUP LIMITED**, a private company limited by shares incorporated in England and Wales with registered number 03858895 ("BHS"); and

(4) **ARCADIA GROUP LIMITED**, a private company limited by shares incorporated in England and Wales with registered number 00237511 and whose registered office is at Colegrave House, 70 Berners Street, London W1T 3NL ("Arcadia").

Each a "party", and together the "parties".

Whereas:

(A) Taveta and RAL are parties to a sale and purchase agreement dated 11 March 2015 relating to the sale of BHS (the "SPA").

(B) In connection with the re-financing of certain debt owed by BHS and in satisfaction of the parties’ completion obligations under the SPA, the parties have agreed to implement the steps set out in this Agreement on and subject to the terms of this Agreement.

It is agreed as follows:

1 **Interpretation**

In this Agreement, unless the context otherwise requires, the provisions in this Clause 1 apply.

1.1 **Incorporation of defined terms**

Unless otherwise defined, the words and expressions defined in the SPA have the same meaning wherever used in this Agreement.

1.2 **Definitions**

"BHS Loan Agreement" means the £3,500,000 loan agreement between Arcadia as the lender and BHS as the borrower dated on or about the date of this Agreement;

"Deed of Release" means a deed of release executed by HSBC Bank plc releasing Security granted in favour of HSBC Bank plc over the Properties to secure the Noah 2 Facility, with the exception of any Security granted over the Jersey Property;

"Jersey Property" means the property described in row 3 of Schedule 1;

"Milton Keynes Property" means the property at 116 Silbury Arcade, Secklow Gate East, Milton Keynes, MK9 3BE; title number BM 176755;

"Noah 1 Facility" means the facility made available to Carmen Properties Limited by HSBC Bank plc under a facility agreement between, among others, BHS, BHS Properties Limited, Carmen Properties Limited and HSBC Bank plc dated 12 March 2015;
"Noah 2 Facility" means the facility made available to BHS by HSBC Bank plc under a facility agreement between, among others, BHS as the borrower and HSBC Bank plc as the lender dated 26 March 2015;

"Noah Facilities" means the Noah 1 Facility and the Noah 2 Facility;

"Properties" means the Properties described in Schedule 1;

"Security" has the meaning given to that term in the Noah 1 Facility and the Noah 2 Facility;

"Tranche A" has the meaning given to it in Clause 2.2.1; and

"Tranche B" has the meaning given to it in Clause 2.1.2.

1.3 Interpretation clauses

1.3.1 In this Agreement any reference to:

(i) any statute or statutory provision includes a reference to that statute or statutory provision as amended, extended or re-enacted and to any regulation, order, instrument or subordinate legislation under the relevant statute or statutory provision;

(ii) the singular includes a reference to the plural and vice versa;

(iii) any paragraph of the introduction, clause, sub-clause or schedule is to a paragraph of the introduction, clause, sub-clause or schedule (as the case may be) of or to this Agreement;

(iv) any person includes any reference to a body corporate, unincorporated association or a partnership and any reference to any party who is an individual is also deemed to include his respective legal personal representative(s); and

(v) references to any statute, statutory instrument, regulation, by-law or other requirement of English Law and to any English legal term for any action, remedy method of judicial proceeding, legal document, legal status, procedure, court, official or any legal concept or doctrine or other expression shall in respect of any jurisdiction other than England be deemed to include that which most nearly approximates in that jurisdiction to the English term,

1.3.2 Each reference in this Agreement to this Agreement or any other agreement, document or deed shall be construed as a reference to this Agreement or such other agreement, document or deed as each of the same may be amended, varied, novated or supplemented from time to time.

2 Agreed steps

The parties agree to implement the following steps in relation to the Noah Facilities in accordance with, and subject to, the terms of this Agreement.

2.1 Tranche B of the Noah 2 Facility, BHS Loan and Capital Injection
2.1.1 In satisfaction of Taveta’s completion obligation to make the BHS Loan and RAL’s completion obligation to make the Capital Injection, in each case under clause 4 of the SPA:

(i) Arcadia shall lend BHS an amount of £3.5 million for a five year term on an interest free basis pursuant to the terms of the BHS Loan Agreement; and

(ii) Arcadia shall pay £6.5 million to RAL and RAL shall use such £6.5 million to subscribe for additional fully paid-up shares in BHS and for no other purpose.

2.1.2 BHS shall use the aggregate amount of £10 million referred to in Clause 2.1.1 to prepay £10 million of Tranche B of the Noah 2 Facility ("Tranche B") and for no other purpose.

2.1.3 The payments to be made by Arcadia under Clause 2.1.1 and the prepayment by BHS under Clause 2.1.2 shall be effected by Arcadia making a payment of £10 million directly to HSBC Bank plc subject to and in accordance with Clause 3.

2.1.4 BHS shall prepay the remaining outstanding amount due under Tranche B of the Noah 2 Facility to HSBC Bank plc and cancel Tranche B pursuant to clause 5 of the Noah 2 Facility.

2.1.5 Any Security granted in favour of HSBC Bank plc over the Properties (excluding any Security granted over the Jersey Property) to secure the Noah 2 Facility shall be released in accordance with the terms of the Deed of Release.

2.1.6 BHS shall not seek any further advances from HSBC Bank plc under the Noah 2 Facility.

2.1.7 The payments and steps referred to in Clause 2.1.1 and the manner of their payment under Clause 2.1.3 shall be in full and final settlement of all of the parties’ completion obligations under clause 4 of the SPA and, upon satisfaction of the payments and steps referred to in Clauses 2.1.1 and 2.1.3, the parties shall be irrevocably and unconditionally released from all claims or demands under or in connection with such completion obligations.

2.2 Tranche A of the Noah 2 Facility

2.2.1 BHS shall prepay Tranche A of the Noah 2 Facility ("Tranche A") by an amount of £2.75 million.

2.2.2 Any Security granted to HSBC Bank plc over the Jersey Property in connection with Tranche A shall remain in place and unaffected by the terms of this Agreement.

2.3 Noah 1 Facility

2.3.1 Arcadia shall procure that HSBC Bank plc releases the Security granted in favour of HSBC Bank plc in respect of the Milton Keynes Property in connection with the Noah 1 Facility.
2.3.2 The obligation of Arcadia referred to in Clause 2.3.1 above shall be carried out as soon as reasonably practicable subsequently to completion of the steps set out in Clauses 2.1 and 2.2 above.

2.4 Pension scheme floating charge

The fixed and floating charge agreement entered into between Arcadia and BHS dated 14 April 2015 shall remain in place and unaffected by the terms of this Agreement.

3 Confirmations and Mechanics

3.1 BHS will request Olswang LLP to confirm to Linklaters LLP in writing that it holds £45 million in its client account pursuant to new facilities to be entered into on or about the date of this Agreement (the "New Facilities") and that subject to the release of the security granted in favour of HSBC Bank plc over the Properties (excluding any security granted over the Jersey Property) to secure the Noah 2 Facility and the creation of new security over the Properties described in rows 1 and 2 of Schedule 1, all initial conditions precedent to drawdown under the New Facilities are satisfied or have been waived and that £43 million (less the amount paid to HSBC Bank plc under Clauses 2.1.4 and 2.2.1) will be available for immediate drawdown by BHS for its working capital.

3.2 BHS shall instruct Olswang LLP to send the BHS Sum to Hogan Lovells LLP, subject to the Hogan Lovells Undertaking.

3.3 Upon Olswang LLP (i) confirming to Linklaters LLP in writing that it has sent the BHS Sum to Hogan Lovells LLP, subject to the Hogan Lovells Undertaking, and that it has been irrevocably instructed and will release the BHS Sum to Hogan Lovells (free of the Hogan Lovells Undertaking) subject only to Arcadia transferring the sum of £10m to the HSBC Account, and (ii) providing the confirmation referred to in Clause 3.1 above, Arcadia shall immediately and irrevocably instruct its bank to transfer the sum of £10 million to the HSBC Account.

In this clause:

"BHS Sum" means the amount due and payable by BHS under Clauses 2.1.4 and 2.2.1 of this Agreement; and

"Hogan Lovells Undertaking" means an irrevocable undertaking from Hogan Lovells LLP under which Hogan Lovells undertake to hold the BHS Sum to the order of Olswang LLP; and

"HSBC Account" means the suspense account at HSBC Bank plc with the following details:

- HSBC Bank plc
- Pall Mall Branch 400520
- Miscellaneous account number: 09001093.
- Reference: BHS redemption

3.4 Any obligation on Olswang LLP to confirm matters to Linklaters LLP in writing in this Clause 3 shall be satisfied by email from david.roberts@olswang.com or anne.chitan@olswang.com to owen.clay@linklaters.com and toby.grimstone@linklaters.com.
4 Further assurance

Each party shall, and shall use reasonable endeavours to procure that any necessary third party shall, from time to time, execute such documents (including, without limitation, the BHS Loan Agreement and the Deed of Release) and do such acts and things as may be reasonably required for the purpose of giving full effect to and to implement the provisions of this Agreement.

5 Assignment

5.1 This Agreement shall be binding on and ensure for the benefit of the successors and permitted assignees of the parties.

5.2 No party may assign or otherwise dispose of any rights under this Agreement, at law or in equity, including by way of declaration of trust. Any purported assignment in breach of this Clause 5 shall be void and confer no rights on the purported assignee.

6 Announcements

6.1 No party may make, or allow any member of its group to make, any press release or other public announcement about this Agreement except with the prior written consent of the other parties.

6.2 Clause 6.1 shall not apply to a press release or other public announcement if and to the extent required by the laws of any relevant jurisdiction or requested by any competent regulatory or governmental body, Tax Authority or securities exchange in any relevant jurisdiction, whether or not the request has the force of law, provided that the party required (or whose group member is required) to make such a press release or announcement shall take all such steps as may be reasonably practicable in the circumstances to consult with the other party before the relevant release or announcement is made, and shall take into account their reasonable comments.

7 Confidentiality

7.1 Subject to Clause 7.2, each party shall treat the following information as confidential and shall not, and shall procure that each member of its group shall not, disclose or use it:

7.1.1 details of the provisions of this Agreement and any agreement or arrangement entered into in connection with this Agreement;

7.1.2 information relating to the negotiations leading to the execution of this Agreement and any agreement or arrangement entered into in connection with this Agreement; and

7.1.3 (to the extent obtained as a result of or in connection with entering into this Agreement) information relating to any other party and any other member of that party's group.

7.2 A party may disclose or use information otherwise required by Clause 7.1 to be treated as confidential:

7.2.1 to the extent included in the press release referred to in Clause 6.2.
7.2.2 if and to the extent required by the laws of any relevant jurisdiction;

7.2.3 if and to the extent requested by any competent regulatory or governmental body, Tax Authority or securities exchange in any relevant jurisdiction, whether or not the request has the force of law;

7.2.4 if and to the extent required to comply with any of its obligations under this Agreement or any other agreement entered into by it pursuant to or in connection with this Agreement;

7.2.5 to its professional advisers, auditors or bankers from time to time;

7.2.6 to members of its group and to their professional advisers, auditors or bankers in each case from time to time;

7.2.7 if and to the extent required for the purpose of any judicial proceedings arising out of this Agreement;

7.2.8 if and to the extent the information is or comes into the public domain through no fault of that party or any member of its group; or

7.2.9 if and to the extent the other party has given prior written consent to the disclosure or use.

Each party shall ensure that any person to whom confidential information is disclosed pursuant to Clauses 7.2.5 or 7.2.6 is made aware of the obligations of confidentiality contained in this Clause and complies with Clause 7.1 as if binding on it directly.

8 Costs

Each party shall bear its own costs and expenses in connection with the preparation, negotiation, execution and performance of this Agreement and the documents referred to in it.

9 Notices

9.1 Any notice, consent or other communication given under this Agreement shall be in writing and in English, shall be signed by or on behalf of the party giving it, and shall be delivered by hand, fax, or sent by prepaid recorded or special delivery post (or prepaid international recorded airmail if sent internationally) or courier using an internationally recognised courier company in accordance with the details set out below or such other person or address as a party may notify to the other parties from time to time (and, for the avoidance of doubt, may not be given by email):

to Taveta:

For the attention of: Group General Counsel

at

Address: Colegrave House, 70 Berners Street, London W1T 3NL

with a copy (which shall not constitute notice) delivered by email to Paul Budge, Group Finance Director at paul.budge@arcadiagroup.co.uk

to RAL:

For the attention of: Dominic Chappell
at
Address: c/o Calder & Co, 16 Charles II Street, London SW1Y 4NW
to BHS:
For the attention of: Dominic Chappell
at
Address: c/o Calder & Co, 16 Charles II Street, London SW1Y 4NW
to Arcadia:
For the attention of: Group General Counsel
at
Address: Colegrave House, 70 Berners Street, London W1T 3NL
with a copy (which shall not constitute notice) delivered by email to Paul Budge, Group Finance Director at paul.budge@arcadiagroup.co.uk

9.2 Any party may from time to time notify the others of any other person, address or facsimile number for the receipt of notices or copy notices. Any such change shall take effect five Business Days after notice of the change is received or (if later) on the date (if any) specified in the notice as the date on which the change is to take place.

9.3 Any notice, consent or other communication given in accordance with Clause 9.1 and received after 5.30 p.m. on a Business Day, or on any day which is not a Business Day, shall for the purposes of this Agreement be regarded as received on the next Business Day.

9.4 The provisions of Clause 9.1 shall not apply in relation to the service of process in any legal proceedings arising out of or in connection with this Agreement in relation to which the relevant provisions of the Civil Procedure Rules 1998 (as amended from time to time) shall apply. For the purposes of this Agreement, legal proceedings shall be regarded as having been served when the relevant step referred to in Civil Procedure Rule 7.5(1) has been completed.

10 Third Party Rights
A person who is not a party to this Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to rely upon or enforce any term of this Agreement. This Clause shall not affect any right or remedy of a third party which exists or is available apart from that Act.

11 Waiver
In no event will any delay, failure or omission (in whole or part) in enforcing, exercising or pursuing any right, power, privilege, claim or remedy conferred by or arising under this Agreement or by law, be deemed to be or be construed as a waiver of that or any other right, power, privilege, claim or remedy in respect of the circumstances in question, or operate so as to bar the enforcement of that, or any other right, power, privilege, claim or remedy, in any other instance at any time or times subsequently.
12 Severance

12.1 If any provision of this Agreement is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability shall not affect the other provisions of this Agreement which shall remain in full force and effect.

12.2 If any provision of this Agreement is so found to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted, restricted or limited in a particular manner, the provision in question shall apply with such deletions, restrictions or limitations as may be necessary to make it valid.

13 Counterparts

This Agreement may be executed in any number of counterparts and by the parties to it on separate counterparts, each of which shall be an original but all of which together shall constitute one and the same instrument, and shall not be effective until each of the parties has executed at least one counterpart.

14 Applicable Law and Jurisdiction

14.1 The validity, construction and performance of this Agreement and any claim, dispute or matter arising under or in connection with it or its enforceability (including any non-contractual claims, disputes or matters arising out of or in connection with it) shall be governed by and construed in accordance with the law of England and Wales.

14.2 Each party irrevocably submits to the exclusive jurisdiction of the courts of England and Wales over any claim, dispute or matter arising under or in connection with this Agreement or its enforceability or the legal relationships established by this Agreement (including non-contractual disputes or claims) and waives any objection to proceedings being brought in such courts on the grounds of venue or on the grounds that proceedings have been brought in an inconvenient forum. Each party further irrevocably agrees that a judgment in any proceedings brought in the courts of England and Wales shall be conclusive and binding upon each party and may be enforced in the courts of any other jurisdiction.

14.3 Nothing in this Agreement shall affect the right to serve process in any manner permitted by law.
In witness whereof this Agreement has been delivered on the date first stated above.

SIGNED by a director on behalf of
TAVETA INVESTMENTS
(NO. 2) LIMITED

SIGNED by a director on behalf of
RETAIL ACQUISITIONS LIMITED

SIGNED by a director on behalf of
BHS GROUP LIMITED

SIGNED by a director on behalf of
ARCADIA GROUP LIMITED
## Schedule 1 – Noah 2 Properties

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<tr>
<td>252/258 Oxford Street and 16/17 John Princes Street, London W1C 1DL</td>
<td>NGL816029</td>
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