

Notice of Annual General Meeting of Headlam Group plc

to be held on Thursday, 25 May 2023 at 11.00 am

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 immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom, or if you are outside the United Kingdom, from another appropriately authorised independent adviser.

If you have sold or otherwise transferred all of your shares in the Company, please send this document, together with the accompanying documents, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A hard copy proxy form has not been sent with this document. Instead please vote either online at www.signalshares.com or through CREST as stated in the notes to this notice of meeting. In order for your vote to be valid, please ensure that your vote is received by Link Group no later than 11.00 am on Tuesday, 23 May 2023.

20 March 2023

Dear Shareholder

Annual General Meeting 2023

I am pleased to enclose the notice of the 75th Annual General Meeting ('AGM') of Headlam Group plc ('Company') which is to be held at the Company's head office at **Gorsey Lane, Coleshill, Birmingham, B46 1JU at 11.00 am on Thursday, 25 May 2023**. The formal Notice of AGM ('Notice') setting out the business to be considered at the meeting, explanatory notes to the proposed resolutions, and information for shareholders is set out in this document. The Company's Annual Report and Accounts for the year ended 31 December 2022 (the '**2022 Annual Report and Accounts**') is now available on our website at www.headlam.com and is enclosed for those shareholders who have requested a paper copy. A resolution to receive and consider the 2022 Annual Report and Accounts, which includes the auditor's report, the strategic report, the directors' report and the accounts for the year ended 31 December 2022, is included in the business of the meeting.

2023 AGM Arrangements

The Directors are looking forward to once again welcoming shareholders to the AGM in person. Please note that only those shareholders or their nominated proxies who attend in person will be deemed to be present at the AGM and will be entitled to speak and vote at the meeting.

Persons who are not shareholders or their duly nominated proxies should not attend the AGM unless prior arrangements have been made with the Company Secretary, whose contact details can be found on page 6.

Question and answer arrangements

The AGM is an important event and the Directors are committed to ensuring that shareholders can exercise their right to vote and ask questions. The Directors are conscious that some shareholders may not be able to attend the meeting in person. In order to facilitate shareholder engagement, arrangements have been made to allow shareholders to submit questions to the Directors by email in advance of the AGM. Should you wish to submit any questions relating to the business of the AGM, you can send them via email to headlamgroup@headlam.com so as to arrive by no later than 5pm on 23 May 2023. The subject of the email should be entitled 'AGM' and should include your IVC (investor code). The Board will attempt to reply to any emails as soon as reasonably practicable. Responses will be made via return email or published on the Company's website, as deemed appropriate by the Board of Directors.

Additionally, a question and answer session will be held with the Directors immediately prior to the formal business of the AGM. Submitting a question in advance of the AGM does not affect your rights as a shareholder to attend and speak at the AGM.

Voting

At the meeting, the Chairman will use his powers under the Company's Articles of Association to call a poll on each resolution as the Directors believe this to be more representative of shareholders' intentions. The results of the voting on all resolutions will be announced via the London Stock Exchange regulatory information service and published on our website as soon as practicable following the conclusion of the AGM.

Your vote is important to us and the Directors encourage all shareholders to exercise their right and vote either in person or by proxy. If you are unable to attend the AGM in person, **we strongly encourage you to vote in advance by appointing the Chairman** or another duly nominated person **as your proxy** electronically via www.signalshares.com. CREST members should use the CREST electronic proxy appointment service. Further details on how to appoint a proxy and submit your voting instructions are set out later in this document. Registering your vote electronically is entirely secure and ensures the privacy of your personal information.

Business of the meeting

The formal notice of the AGM is set out on pages 4 to 6. Full details of the resolutions to be proposed are contained in the explanatory notes on page 7 to 10 of this document. The majority of the resolutions are those that are dealt with as a matter of course at each annual general meeting.

Final Ordinary Dividend

The Board is proposing a final ordinary dividend for the financial year ended 31 December 2022 of 11.2 pence per ordinary share, giving a total annual pay-out for the interim plus final dividend of 17.4 pence, being equivalent to around 2x earnings cover ratio and in line with the Company's published Capital Allocation Priorities.

Director elections and re-elections

During the year, the Board appointed Karen Hubbard, Jemima Bird and Robin Williams as Independent Non-Executive Directors. They have already made significant contributions to the Board, which has no hesitation in recommending them to shareholders for election.

Each of the other directors will again retire and stand for re-election in accordance with the 2018 UK Corporate Governance Code. Biographical details for each Director, including details of the skills and experience they bring to the Board, can be found on pages 92 and 93 of the 2022 Annual Report and Accounts.

Electronic Communications

The Company actively encourages all shareholders to register for electronic communications to enable it to reduce the paper used when communicating with shareholders.

Recommendation

The Directors believe that each of the resolutions to be put to the AGM is in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend that shareholders vote in favour of the resolutions, as they intend to do in respect of their own beneficial shareholdings in the Company.

On behalf of the Board, I wish to thank you for your continued support.

Yours faithfully

Keith Edelman

Non-Executive Chair

Headlam Group plc, PO Box 1, Coleshill, Birmingham B46 1LW
headlamgroup@headlam.com
www.headlam.com

Annual General Meeting 2023

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 75th Annual General Meeting of Headlam Group plc will be held at the Company's head office located at **Gorsey Lane, Coleshill, Birmingham, B46 1 JU on Thursday, 25 May 2023 at 11.00am** for the transaction of the following business:

To consider, and if thought fit, to pass the following resolutions, numbers 1 to 15 of which will be proposed as ordinary resolutions and numbers 16 to 19 of which will be proposed as special resolutions:

1. To receive the Company's Annual Report and Accounts for the year ended 31 December 2022.
2. To receive and approve the Directors' Remuneration Policy, which may be found on pages 139 to 152 of the Company's Annual Report and Accounts for the year ended 31 December 2022, such Directors' Remuneration Policy to take effect from immediately after the end of the AGM.
3. To approve the Directors' Remuneration Report (other than the part containing the Directors' Remuneration Policy) set out on pages 134 to 138 and 152 to 165 of the Company's Annual Report and Accounts for the year ended 31 December 2022.
4. To declare a final ordinary dividend of 11.2 pence per ordinary share in respect of the financial year ended 31 December 2022.
5. To elect Jemima Bird as a Director of the Company.
6. To elect Karen Hubbard as a Director of the Company.
7. To elect Robin Williams as a Director of the Company.
8. To re-elect Chris Payne as a Director of the Company.
9. To re-elect Keith Edelman as a Director of the Company.
10. To re-elect Stephen Bird as a Director of the Company.
11. To re-appoint PricewaterhouseCoopers LLP as the Auditor of the Company, to hold office from the conclusion of the meeting until the conclusion of the next annual general meeting at which accounts are laid before shareholders.
12. To authorise the Directors to determine the Auditors' remuneration.
13. THAT for the purposes of section 551 of the Companies Act 2006 ('**Act**') (and so that expressions used in this resolution shall have the same meanings as in section 551):
 - (a) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Act respectively up to an aggregate nominal amount of £604,811 to such persons and at such times and on such terms as they think proper for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the 2024 Annual General Meeting (or, if earlier, at the close of business on 25 August 2024); and further
 - (b) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £604,811 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the 2024 Annual General Meeting (or, if earlier, at the close of business on 25 August 2024), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - (c) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

All existing authorities given to the Directors pursuant to section 551 of the Act are revoked by this resolution.

14. That the rules of the Headlam Management Incentive Plan (**'Plan'**), produced in draft to this meeting (the terms of which are summarised in the Appendix to this Notice) and, for the purposes of identification, initialled by the Chair, be and are hereby approved and the Directors be authorised to:
- (a) do all acts and things which they may consider necessary or expedient for the purposes of implementing and giving effect to the Plan; and
 - (b) establish further plans based on the Plan but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Plan.
15. That the proposed amendment to the rules of the Headlam 2017 Performance Share Plan (the **'PSP'**) in respect of its per participant per financial year awards limit, produced in draft to this meeting and as summarised in the explanatory notes section of this Notice, be approved and the Directors be authorised to adopt the amendment into the rules of the PSP and to do all such other acts and things as they may consider appropriate to implement the amendment.
16. THAT, subject to the passing of resolution 13 in this Notice, and in place of all existing powers to allot securities given to the Directors, the Directors be authorised to allot equity securities (as defined in section 560(1) of the Act) for cash under the authority conferred by resolution 13 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be limited to:
- (a) the allotment of equity securities or sale of treasury shares in connection with an issue or offering to holders of equity securities (but in the case of the authority granted under resolution 13(b) in this Notice by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - (b) the allotment of equity securities or sale of treasury shares (otherwise than pursuant to resolution 16(a) above) up to a nominal amount of £403,207; and
 - (c) the allotment of equity securities or sale of treasury shares (otherwise than under resolutions 16(a) and 16(b) above) up to a nominal amount equal to 20% of any allotment of equity securities or sale of treasury shares from time to time under resolution 16(b) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,
- such authority to expire at the end of the next Annual General Meeting (or, if earlier, at the close of business on 25 August 2024), but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Directors may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
17. THAT, subject to the passing of resolution 13 in this Notice, the Directors be authorised, in addition to any authority granted under resolution 16 in this Notice, to allot equity securities (as defined in the Act) for cash under the authority given by that resolution and/ or to sell ordinary shares held by the Company as treasury shares for cash, as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:
- (a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £403,207, such authority to be used only for the purposes of financing (or refinancing if the authority is to be used within 12 months after the original transaction) a transaction which the Board of Directors of the Company determines to be either an acquisition or a specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-emption Rights most recently published by the Pre-Emption Group prior to the date of this notice; and

Annual General Meeting 2023 – continued

- (b) limited to the allotment of equity securities or sale of treasury shares (otherwise than under resolution 17(a) in this Notice) up to a nominal amount equal to 20 per cent. of any allotment of equity securities or sale of treasury shares from time to time under resolution 17(a) above, such authority to be used only for the purposes of making a follow-on offer which the Directors determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority to expire at the end of the 2024 Annual General Meeting (or, if earlier, at the close of business on 25 August 2024), but in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.

18. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 5 pence each in the capital of the Company, subject to the following conditions:
- (a) the maximum number of ordinary shares which may be purchased is 8,064,149;
 - (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 5 pence (being the nominal amount thereof);
 - (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
 - (i) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share on the trading venue where the market purchase by the Company is carried out; and
 - (d) the authority conferred by this resolution shall expire at the conclusion of the 2024 Annual General Meeting or, if earlier, on 25 August 2024 (except in relation to the purchase of shares, the contract for which was made before the expiry of this authority and which might be concluded wholly or partly after such expiry), and any ordinary shares purchased pursuant to this authority may either be held as treasury shares or cancelled by the Company, depending on which course of action is considered by the Directors to be in the best interests of shareholders at the time.
19. That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than Annual General Meetings) on not less than 14 clear days' notice, provided that the authority shall expire at the conclusion of the 2024 AGM or 25 August 2024, whichever is the earlier.

By order of the Board

Caroline Farbridge
Company Secretary

20 March 2023

Registered office:
PO Box 1
Gorsey Lane,
Coleshill
Birmingham,
B46 1LW

Incorporated and registered in England and Wales
Company number 00460129

Explanatory Notes to the Proposed Resolutions

This year's AGM will be held at the Company's head office at **Gorsey Lane, Coleshill, Birmingham, B46 1JU on Thursday, 25 May 2023 at 11.00 am**. An explanation of the resolutions that will be proposed at the meeting is set out below.

Resolutions 1 to 15 inclusive are proposed as ordinary resolutions, which means that for each of these resolutions to be passed, more than half the votes cast must be cast in favour of the resolution. Resolutions 16 to 19 inclusive are proposed as special resolutions, which means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be cast in favour of the resolution.

Resolution 1 – To receive the Annual Report and Accounts

The Company is required by law to present to shareholders at the AGM its Annual Report and Accounts for the financial year ended 31 December 2022.

Resolutions 2 and 3 – To approve the Directors' Remuneration Policy and the Directors' Remuneration Report

Resolution 2 seeks shareholder approval for the revised Directors' Remuneration Policy which is set out on pages 139 to 152 of the 2022 Annual Report and Accounts (the '**Directors' Remuneration Policy**'). It is intended that the Directors' Remuneration Policy will take effect immediately after the AGM and will replace the existing policy that was approved by shareholders in 2020 and which is due to expire this year. The vote is a binding vote and, subject to limited exceptions, no remuneration payment or loss of office payment may be made to a prospective, current or former Director unless consistent with the approved Directors' Remuneration Policy (or otherwise specifically approved by shareholders). Payments will continue to be made to directors and former directors in line with existing arrangements until shareholder approval for the updated policy is obtained. It is anticipated that the Directors' Remuneration Policy will be in force for three years although the Board will closely consider Company strategy and monitor regulatory changes and market practice and may, if deemed necessary, present a revised policy within that three year period.

This Directors' Remuneration Policy has been developed taking into account the principles of the 2018 UK Corporate Governance Code and the views of the Company's larger shareholders.

At Resolution 3, shareholders are being asked to consider and approve the Directors' Remuneration Report, excluding the Directors' Remuneration Policy. The vote on the approval of the Directors' Remuneration Report is advisory only and the Directors' entitlement to remuneration is not conditional on it being passed. The Directors' Remuneration Report comprises the Annual Statement to shareholders by the Chairman of the Remuneration Committee and the Annual Report on Remuneration and can be found on pages 134 to 138 and 152 to 165, respectively, of the 2022 Annual Report and Accounts. The Annual Report on Remuneration sets out the remuneration outcomes for the financial year ended 31 December 2022 and how the Directors' Remuneration Policy, if approved at the AGM, will be implemented throughout the financial year ended 31 December 2023.

Resolution 4 – Declaration of a final ordinary dividend

Under the Articles of Association of the Company, a final ordinary dividend must be approved by shareholders by ordinary resolution. The Directors recommend the payment of a final ordinary dividend of 11.2 pence on each of the entitled ordinary shares, which, together with the interim ordinary dividend of 6.2 pence gives a total ordinary dividend of 17.4 pence for the year ended 31 December 2022. The amount declared as a final ordinary dividend may not exceed the amount recommended by Directors. Subject to approval of the declaration of the final ordinary dividend at the AGM, the final ordinary dividend will be paid on 2 June 2023 to the holders of ordinary shares whose names are recorded on the register of members at the close of business on 12 May 2023 (the associated ex-dividend date being 11 May 2023).

Resolutions 5 to 7 – Election of Directors

The Company's Articles of Association provide that any new director appointed by the Board during the year may hold office only until the next AGM, when that director must stand for appointment by the shareholders. Since the AGM held on 19 May 2022 (the '**2022 AGM**'), Jemima Bird, Karen Hubbard and Robin Williams have been appointed to the Board as Directors. Their biographies are set out on page 93 of the 2022 Annual Report and Accounts.

Resolution 5 deals with the appointment of Jemima Bird to the Board. Ms Bird was appointed as an Independent Non-Executive Director on 10 October 2022. Jemima has extensive retail experience and she is an experienced Remuneration Committee Chair.

Resolution 6 deals with the appointment of Karen Hubbard to the Board. Ms Hubbard was appointed as an Independent Non-Executive Director on 31 August 2022 and brings with her over 25 years of experience in retail and of running multi-channel businesses.

Resolution 7 deals with the appointment of Robin Williams to the Board. Mr Williams was appointed as an Independent Non-Executive Director on 10 October 2022 and brings with him over 30 years of experience with listed companies and as

Explanatory Notes to the Proposed Resolutions – continued

a Non-Executive Director. He is an experienced Audit Committee Chair.

In reviewing the recommendations of the Nomination Committee concerning their appointment, the Board concluded that Jemima Bird, Karen Hubbard and Robin Williams will make effective and valuable contributions to the Board (as they have already done) and demonstrate commitment to their roles. Their respective skills and experience, combined with their individual personal characteristics, have already strengthened board discussion and the decision making process. Information relating to the Company's recruitment processes appointing Jemima Bird, Karen Hubbard and Robin Williams is contained on page 93 of the 2022 Annual Report and Accounts. The Board has no hesitation in recommending their election to Shareholders.

Resolutions 8 to 10 – Re-election of Directors

Notwithstanding the specific rotation provisions of the Company's Articles of Association, the Board has determined that each of the Company's Directors shall retire and stand for re-election on an annual basis in accordance with the UK Corporate Governance Code, which recommends that all directors of listed companies should be subject to annual re-election by shareholders. Accordingly, all members of the Board will retire from office at the AGM and each shall stand for re-election. The biographies and skills and experience of all Directors are set out on pages 92 and 93 of the 2022 Annual Report and Accounts.

Following the annual evaluation exercise conducted during the year, the Board, supported by the Nomination Committee, considers that each of the Directors proposed for re-election continues to make an effective and valuable contribution and demonstrates commitment to the role. The Board is content that each Non-Executive Director offering himself / herself for re-election is independent in character and there are no relationships or circumstances likely to affect his / her character or judgement. Accordingly, the Board unanimously recommends the re-election of all Directors.

Resolutions 11 and 12 – To authorise the Board to re-appoint PricewaterhouseCoopers LLP as the auditors of the Company and to authorise the Directors to determine their remuneration

At every general meeting at which accounts are laid before shareholders, the Company is required to appoint an auditor to serve until the next such meeting. PricewaterhouseCoopers LLP have indicated their willingness to continue as the Company's Auditor for another year. Shareholders are therefore asked to approve their re-appointment (Resolution 11) and to authorise the Directors, acting through the Audit Committee, to determine their remuneration (Resolution 12).

Resolution 13 – Authority to allot shares

Shareholders are being asked to pass Resolution 13 to grant to the Directors a general authority, for the purpose of section 551 of the Companies Act 2006 ('Act'), to allot shares or grant rights to subscribe for or convert any security into shares up to an aggregate nominal value of £604,811. With due regard to the Investment Association's guidelines, the proposed general authority is to allot up to an aggregate nominal amount of £604,811 representing 12,096,224 ordinary shares (approximately 15% of the Company's ordinary share capital (excluding treasury shares) in issue at 14 March 2023, being the latest practicable date prior to publication of this Notice).

As at 14 March 2023, the Company held 4,997,715 treasury shares, which represented 5.8% of the Company's issued share capital, which the Company can cancel or hold for sale or use to meet the obligations under the Company's employee share schemes.

This authority will lapse at the conclusion of the 2024 Annual General Meeting, or, if earlier, at the close of business on 25 August 2024. The Directors consider that this authority is desirable to allow the Company to retain flexibility, although they have no current intention of exercising this authority.

Resolution 14 – Approval of Headlam Management Incentive Plan

Resolution 14 is a resolution seeking authority from shareholders to approve the Headlam Management Incentive Plan ('Plan').

The Plan will enable the grant of market value options to senior managers below the Executive Team. The options are intended to focus and incentivise senior managers for multi-year strategy delivery.

The rules of the Plan will be on display at the place of the AGM from at least 15 minutes before the AGM until it ends, and on the National Storage Mechanism from the date of this Notice.

A summary of the principal terms of the Plan is set out in the Appendix to this Notice.

Resolution 15 – Amendment to Headlam 2017 Performance Share Plan

The Headlam 2017 Performance Share Plan (the 'PSP') is the Company's long-term incentive arrangement for the Company's Executive Directors and other selected employees.

The current terms of the PSP provide that in ordinary circumstances participants may not receive awards under the PSP in any financial year over shares having a market value in excess of 100 per cent. of their annual base salary in that financial year or 200 per cent. of their annual base salary in exceptional circumstances.

To align the PSP to the limit for such purposes under the new Directors' Remuneration Policy proposed under Resolution 2, shareholder approval is sought under Resolution 15, to amend the rules of the PSP to provide that participants may not receive awards under the PSP in any financial year over shares having a market value in excess of 150 per cent. of their annual base salary in that financial year. The exceptional individual limit (currently 200 per cent. of their annual base salary) will also be removed. As per the current rules of the PSP, market value for the purposes of the above limit shall be determined by the Board on the day of the grant of an award.

No other changes are proposed to the PSP and subject to shareholder approval the increased limit would become available in respect of awards granted on or after the date of the AGM.

A copy of the draft rules of the amended PSP will be on display at the place of the AGM from at least 15 minutes before the AGM until it ends, and on the National Storage Mechanism from the date of this Notice.

Resolutions 16 and 17 – Renewal of section 561 authority (special resolution)

Under section 561 of the Act, any shares allotted (or, in the case of any shares held in treasury, sold) wholly for cash must be offered to existing shareholders in proportion to their holdings, but this requirement may be modified by the authority of a special resolution of the shareholders in general meeting. The authority given at the 2022 AGM will expire at the end of the forthcoming AGM and Resolutions 16 and 17 seek to renew it. These special resolutions give the directors the power to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

The power under Resolution 16 would be limited to: (a) allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary; or (b) otherwise up to a nominal amount of £403,207 (representing 8,064,149 ordinary shares). This nominal amount represents approximately 10 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 14 March 2023, the latest practicable date prior to publication of this document. The power under part (c) of Resolution 16 also proposes the disapplication of pre-emption rights as described above, in relation to "follow on" offers (within the meaning given in the Pre-Emption Group's Statement of Principles) up to a nominal amount of 20 percent of any allotment of equity securities or sale of treasury shares from time to time pursuant to (b) above.

The power under Resolution 17 would be limited to allotments up to a nominal amount of £403,207 (representing 8,064,149 ordinary shares) in connection with an acquisition or specified capital investment (within the meaning given in the Pre-Emption Group's Statement of Principles). This nominal amount represents approximately 10 percent of the issued ordinary share capital of the Company (excluding treasury shares) as at 14 March 2023, the latest practicable date prior to publication of this document. In respect of the authority under Resolution 17, the Board confirms that it will only allot shares pursuant to this authority where the acquisition or specified capital investment is announced contemporaneously with the allotment or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The power under Resolution 17 also proposes the disapplication of pre-emption rights as described above, in relation to "follow on" offers (within the meaning given in the Pre-Emption Group's Statement of Principles) up to a nominal amount of 20 percent of any allotment of equity securities or sale of treasury shares from time to time pursuant to an acquisition or specified capital investment described in this paragraph.

In respect of the authorities sought under Resolutions 16 and 17, the Board acknowledges the provisions of the Pre-Emption Group's most recent Statement of Principles published in November 2022 and confirms that it will follow the general principles set out therein (including as to any "follow on" offers). The authorities under Resolutions 16 and 17 will expire at the conclusion of the 2024 Annual General Meeting, or, if earlier, at the close of business on 25 August 2024.

Resolution 18 – Purchase of own shares (special resolution)

The Directors believe that it is in the interests of the Company and its shareholders to continue to have the flexibility to purchase its own shares and this resolution seeks authority from shareholders to do so.

The Act enables companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's employee share schemes. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

Explanatory Notes to the Proposed Resolutions – continued

This resolution renews the authority given at the 2022 AGM. The authority is in respect of no more than 10% of the Company's issued ordinary share capital (excluding treasury shares) as at 14 March 2023 and will lapse at the conclusion of the 2024 Annual General Meeting or, if earlier, on 25 August 2024. The resolution specifies the maximum and minimum prices at which the shares may be bought. If the Company purchases any of its shares under the authority proposed by Resolution 16, the Board will decide at the time whether to cancel them immediately or hold them in treasury.

The Directors confirm that they have no current intention of exercising this authority except: i) in relation to purchasing and holding shares in treasury to fulfil the Company's future obligations under its employee share schemes; and / or ii) in following its Capital Allocation Priorities (including any return of capital where, considering market conditions and the prevailing share price at the time, the Board believes that the purchase and subsequent cancellation of shares would be in the best interest of shareholders generally).

The Programme will be effected in accordance with the Market Abuse Regulation 596/2014/EU (as in force in the UK and as amended by the Market Abuse (Amendment) (EU Exit) Regulations 2019) (the "Regulation"). However, given the low level of liquidity in the Company's shares, the Company will retain the ability to exceed the average daily volume restrictions established by the Commission Delegated Regulation 2016/1052/EU (as in force in the UK and as amended by the Page 5 FCA's Technical Standards (Market Abuse Regulation) (EU Exit) Instrument 2019) and therefore the Programme may not benefit from the 25 percent average daily volume safe harbour provisions of the Regulation.

Any purchases made by the Company under the Programme will be announced no later than 7.30am on the business day following the transaction. This authority will expire at the conclusion of the following AGM or, if earlier, at the close of business on 25 August 2024.

Details of share options outstanding and treasury share movements including details of own shares acquired by the Company are shown in notes 22 and 23 to the financial statements on pages 229 to 233 of the 2022 Annual Report and Accounts.

As at 14 March 2023, the latest practicable date prior to publication of this document, there were 4,997,715 ordinary shares held in treasury. Details of share options outstanding and treasury share movements including details of own shares acquired by the Company are shown in notes 24 and 25 to the financial statements on pages 176 to 180 of the 2022 Annual Report and Accounts.

Resolution 19 – Notice period for general meetings (special resolution)

This special resolution seeks the approval of shareholders to replace a similar authority granted at the 2022 AGM to allow the Company to hold general meetings, other than Annual General Meetings, on not less than 14 clear days' notice as required by the Companies (Shareholders' Rights) Regulations ('Regulations'). The shorter notice period would not be used as a matter of routine for such meetings but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole. The Regulations require that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must meet certain requirements for electronic voting to be made available to its shareholders for that meeting.

The approval will be effective until the conclusion of the 2024 Annual General Meeting, when it is intended that a similar resolution will be proposed, or, if earlier, 25 August 2024.

Explanatory Notes to the Notice of Meeting

Notes 1 to 21 below give further explanation as to the proxy, voting and attendance procedures at the AGM.

1. Entitlement to appoint proxies

A shareholder entitled to attend and vote at the meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him / her. A shareholder may appoint a proxy or proxies, and vote:

- (a) electronically by visiting www.signalshares.com; or
- (b) by using the LinkVote+ app – Link Group, the company's registrar, has launched a shareholder app: LinkVote+, please refer to the procedures set out below: or
- (c) by requesting a hard copy proxy form directly from the registrars, Link Group, at shareholderenquiries@linkgroup.co.uk or by calling Tel: 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales; or
- (d) in the case of CREST members, through the CREST electronic proxy appointment service.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a shareholder of the Company.

Appointment of a proxy will not preclude a shareholder from observing the business of the AGM remotely or attending the Meeting and voting in person. However, if you do attend the Meeting in person and vote, any proxy appointment will be treated as void.

2. Appointing proxies in hard copy or electronically (other than through CREST)

To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a notarial certified copy of such power or authority) must reach Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds, LS1 4DL not less than 48 hours before the time for holding the meeting. Proxy appointments can be made electronically via the Signal Shares service by logging on to www.signalshares.com. If you have not used the Signal Shares service before, you will need your Investor Code (which is printed on share certificates) in order to register. Electronic proxy appointments must also be received not less than 48 hours before the time for holding the meeting.

3. Electronic voting via www.signalshares.com

If you wish, you will be able to vote electronically using the link www.signalshares.com. You will need to log into your Signal Shares account or register if you have not previously done so. To register you will need your Investor Code; this is detailed on your share certificate or is available from our registrars, Link Group. You can vote via www.signalshares.com by logging on and selecting the 'Proxy Voting' link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (IVC) (which can be found on your share certificate), and postcode (if resident in the UK).

4. Electronic voting via the LinkVote+ app

Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

Explanatory Notes to the Notice of Meeting – continued

5. Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST manual (available via www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment 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 & International Limited's ('**Euroclear**') 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 is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time for the receipt of proxy appointments specified in explanatory note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by CREST application host) from which the issuer'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.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International does not make available special procedures in CREST for any particular message. Normal system timing 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, 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 systems and timing.

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.

Unless otherwise indicated on the Form of Proxy, CREST voting or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

6. Joint holders

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.

7. Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the AGM is close of business on 23 May 2023 or, if the meeting is adjourned, close of business on the date two business days before the date for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

8. Corporate Representatives

Corporations may appoint one or more corporate representatives who, on its behalf, may exercise all of its powers as a shareholder, provided that no more than one corporate representative exercises powers over the same share.

9. Nominated person

If you are a person who has been nominated under section 146 of the Companies Act 2006 ('**Act**') to enjoy nomination rights (a '**Nominated Person**') you may, under an agreement between you and the shareholder of the Company who has nominated you, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If you do not have such a proxy appointment right, or you do but do not wish to exercise it, you may have a right to give instructions to the shareholder who has appointed you as to the exercise of voting rights. If you are a Nominated Person, the statement of the rights of shareholders in relation to the appointment of proxies above does not apply. Such rights can only be exercised by a registered shareholder of the Company.

10. Issued share capital/voting rights

As at 14 March 2023, being the latest practicable date prior to the publication of this document, the Company's issued share capital, including treasury shares, consisted of 85,639,209 ordinary shares of 5 pence each. Of these, 4,997,715 shares were held in treasury, the voting rights and entitlement to dividends of which were automatically suspended. Accordingly, the total number of voting rights in the Company as at that date was 80,641,494.

11. Right to ask questions

In ordinary circumstances, a shareholder attending the meeting has the right to ask questions relating to the business being dealt with at the meeting in accordance with section 319A of the Act. In certain circumstances prescribed by section 319A of the Act, the Company need not answer a question if (a) to do so would interfere unduly with the preparation for the AGM or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the AGM that the question be answered.

Shareholder engagement is important to us and we are therefore continuing the practice of allowing shareholders to submit questions by email. Should you wish to submit questions relating to the business of the AGM that you would like to be addressed, you can send it via email to headlamgroup@headlam.com including your IVC (investor code) with AGM clearly shown in the subject field. Written answers will be collated and provided in respect of frequently asked questions (a single answer may be given to address shareholder queries on the same topic), where regulatory constraints permit and posted on the Company's website.

Submitting a question in advance of the AGM does not affect your rights as a shareholder to attend and speak at the AGM.

12. Shareholder requests under Section 527 of the Act

Under section 527 of the Act, shareholders of the Company representing at least 5% of the total voting rights of the Company, or at least 100 members who have a right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100, may require the Company to publish on its website a statement setting out any matter relating to the audit of the Company's accounts.

Where the Company is required to publish such a statement on its website it must forward the statement to the Company's Auditor no later than the time when it makes the statement available on its website. The business of the meeting includes any such statement that the Company has been required to publish on its website.

13. Members' right to request resolution to be proposed at meeting

Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and / or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business.

A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the persons making it, must be received by the Company not later than 12 April 2022, being the date six clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

14. Non-shareholder attendance

Persons who are not shareholders in the Company will not be admitted to the meeting or any virtual offering as described in the Chairman's letter unless prior arrangements are made and agreed with the Company.

15. Access arrangements

Should any shareholder with special needs wish to attend the meeting, please contact the Company using the details given in the next note so that appropriate arrangements can be made.

Explanatory Notes to the Notice of Meeting – continued

16. Communicating with the Company in relation to the AGM

Except as provided above, shareholders who wish to communicate with the Company in relation to the AGM should do so using the following means:

- (a) by writing to the Company Secretary at the Company's registered office address at: PO Box 1, Gorsey Lane, Coleshill, Birmingham, B46 1LW; or
- (b) by contacting Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL, by email at shareholderenquiries@linkgroup.co.uk; or
- (c) by email for the attention of the Company Secretary: headlamgroup@headlam.com

No other methods of communication will be accepted.

17. Inspection of documents

Copies of the Directors' service agreements and, where appropriate, letters of appointment, a summary of the Directors' transactions in the Company's shares during the year and the written terms of reference for each of the Remuneration, Audit and Nomination Committees will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturday, Sundays and public holidays excluded) from the date of this Notice until the close of business on the business day preceding the AGM and will also be available for inspection for at least 15 minutes prior to the meeting and throughout the meeting.

There are no service agreements between any Director and any subsidiary of the Company.

The rules of (i) the Headlam Management Incentive Plan and (ii) the draft rules of the amended Headlam 2017 Performance Share Plan will be available for inspection for at least 15 minutes prior to the AGM and throughout the meeting, and on the National Storage Mechanism from the date of this Notice.

18. Voting results

The results of the voting at the AGM will be announced through a Regulatory Information Service and will appear on the Company's website www.headlam.com as soon as practicable following the AGM.

19. Website

A copy of this Notice and other information required by section 311A of the Act, can be found at www.headlam.com.

20. Data protection statement

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company).

The Company determines the purposes for which, and the manner in which, your personal data is to be processed. The Company and any third-party to whom it discloses the data (including the Company's registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise

Shareholder Information

Shareholder helpline

The Company's shareholder register is maintained by Link Group ('Link') who are responsible for making dividend payments and updating the register, including details of changes to shareholders' addresses and purchases or sales of Company shares. If you have a question about your shareholding in the Company you should contact: Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. Email: shareholderenquiries@linkgroup.co.uk, telephone 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

FREQUENT SHAREHOLDER ENQUIRIES

If you change your address

Please notify Link in writing. If shares are held in joint names, the notification must be signed by all named shareholders.

If you change your name

Please notify Link in writing and enclose a copy of any marriage certificate or change of name deed as evidence.

Lost share certificates

If your share certificate is lost or stolen, you should call Link immediately. A letter of indemnity will be sent to you to sign. Link will charge for this service.

Duplicate shareholder accounts

If you receive more than one copy of the Company's communications you may have your shares registered inadvertently in at least two accounts. This happens when the registration details of separate transactions differ slightly. If you wish to consolidate such multiple accounts, write to Link to request the accounts are consolidated.

Buying and selling shares in the UK

If you wish to trade in the Company's shares, you can do so at Link's website, www.linksharedeal.com or alternatively use a stockbroker or high street bank which trades shares on the London Stock Exchange. There are many telephone and online services available. If you are selling, you will need to present your share certificate at the time of sale.

Transferring shares

Transferring shares to someone else requires the completion of a stock transfer form. A stock transfer form, and details of the procedure you need to follow, is available from Link's website <https://www.linkgroup.eu/>.

Share prices information

Shareholders can find share prices listed in certain national newspapers and websites. For a real-time buying or selling price, you should contact a stockbroker.

The Company's website

The Company's website at www.headlam.com provides news, details on the business and information on the share price. The Investors section of the website contains up to date information for shareholders including the Company's latest financial results and key dates such as dividend payment dates.

Shareholder Information – continued

Electronic communications

The Company's policy is to provide all shareholder documents electronically whenever possible. As a consequence, you will receive copies of annual reports and certain other shareholder communications by post only if you have specifically opted to do.

Electronic communications are not only secure, but they are also quicker, more cost effective, and are in line with the Company's sustainability and environmental objectives as fewer resources are required compared with traditional printing and distribution methods. If you previously elected to receive a printed copy of the annual report, this is enclosed. If you have not elected to receive a printed copy and now wish to receive one, please contact Link by telephoning the shareholder helpline, 0371 664 0300 calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales and quoting your investor code which can be found on your share certificate.

If you now wish to sign up to receive future shareholder communications electronically rather than in paper form, you can do so via the share portal service provided by our registrar. To register simply go to www.signalshares.com and select 'Account Registration' and then follow the on-screen instructions by inputting your surname and your investor code. You will also need to input your postcode as well as entering an email address and selecting a password.

ShareGift

ShareGift, the charity share donation scheme, is a free service for shareholders wishing to give shares to charitable causes. It may be especially useful for those who wish to dispose of a small parcel of shares which would cost more to sell than they are worth. There are no capital gains tax implications (i.e. no gain or loss) on gifts of shares to charity and it is also possible to obtain income tax relief. Further information can be obtained at www.sharegift.org.

The unclaimed assets register

The Unclaimed Assets Register ('**Register**') is a unique search service that helps individuals to find their lost assets and re-establish contact with financial institutions. The Register has a database of unclaimed life policies, pensions, unit trust holdings, and share dividends drawn from many companies and can search for lost assets and entitlements.

The Register charges a small fixed fee for each search, 10% of which goes to charity. For further information, visit www.uar.co.uk.

Warning to shareholders

Shareholders are advised to be wary of any unsolicited investment advice or approach to buy or sell shares. If you receive an unsolicited investment approach, you should:

- Confirm the name of the person calling and the organisation they represent.
- Check that they are registered with the Financial Conduct Authority ('**FCA**') by calling 0800 111 6768 or by visiting www.fca.org.uk and contact the firm using the details on the register.
- Report the matter to the FCA by calling 0800 111 6768 or by visiting www.fca.org.uk.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. Further information on this or similar activity can be found on the FCA website www.fca.org.uk. If you have any queries, please contact the Company Secretary.

APPENDIX

Summary of the principal terms of Headlam Management Long Term Incentive Plan ("Plan")

General

The Plan is divided into two separate and independent parts, both of which are identical in all material respects unless otherwise indicated in this summary.

Part A is intended to be a tax-advantaged 'Company Share Option Plan' ("CSOP") which complies with the requirements of applicable legislation and permits the grant of tax-advantaged CSOP options in the UK.

Part B will be used to grant non-tax advantaged share options.

Operation

The Board will supervise the operation of the Plan.

Eligibility

Any employee (including an executive director) of the Company and its subsidiaries will be eligible to participate in the Plan at the discretion of the Board.

In the case of the options granted under Part A, an executive director of any participating Group member must also work for the Group for at least 25 hours per week in order to be eligible to participate.

There is currently no intention to grant options under either part of the Plan to executive directors of the Company.

Grant of options

The Board may grant options to acquire Shares within six weeks following:

- the Company's announcement of its results for any period; or
- an annual general meeting of the Company.

If regulatory or statutory restrictions prevent options from being granted in these periods, options may be granted in the period immediately after the removal of all such restrictions. The Board may also grant options at any other time if it considers there are exceptional circumstances which justify the granting of options.

No option may be granted more than ten years after the date on which the Company's shareholders have approved the establishment of the Plan.

No payment will be required for the grant of an option. Options are not transferable, except on death. Options are not pensionable.

Overall Plan limits

Options may be satisfied using new issue Shares, treasury Shares or Shares purchased in the market.

In any ten year period, the Company may not issue (or grant rights to issue) more than:

- (a) 10 per cent of the issued ordinary share capital of the Company under the Plan and any other employee share scheme adopted by the Company; and
- (b) 5 per cent of the issued ordinary share capital of the Company under the Plan and any other discretionary share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Individual participation

Normally, an employee may not receive options in any financial year over Shares with a market value exceeding 50 per cent. of their annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit is increased to 100 per cent. of an employee's annual base salary.

Under Part A of the Plan, the aggregate market value of Shares at the date of grant subject to unexercised tax-advantaged options granted by the Company shall not exceed £30,000 (or such other limit as may from time to time apply under the relevant legislation) per employee.

APPENDIX – continued

Exercise price

The price per Share payable upon exercise of an option will not be less than:

- (c) the middle-market price of a Share on the London Stock Exchange on the dealing day immediately before the date of grant (or such other dealing day(s) as the Board may decide); and
- (d) if the option relates only to new issue Shares, the nominal value of a Share.

Vesting of Options and Performance Conditions

Options granted under Part A will normally become capable of exercise three years after grant. Options granted under Part B may become capable of exercise at such time set by the Board.

Options will become exercisable to the extent that any performance conditions (or any other objective conditions) have been satisfied and provided the participant remains employed in the Company's group. The Board does not intend to apply performance conditions to initial options.

The Board may vary any performance conditions applying to existing options if an event has occurred which causes the Board to consider that it would be appropriate to amend the performance conditions, provided the Board, acting fairly and reasonably, considers the varied conditions are not materially more or less challenging than the original conditions would have been but for the event in question.

Exercise periods

Once vested, options will remain exercisable up until the tenth anniversary of their grant date (or such shorter period that the Board specifies on grant). Shorter exercise periods apply in the case of options held by "good leavers" and/or vesting of options in connection with corporate events.

Shares will be allotted or transferred to participants within 30 days of exercise.

Leaving employment

As a general rule, an unvested option will lapse upon a participant ceasing to hold employment or be a director within the Company's group. However, if a participant ceases to be an employee or director in the Company's group by reason of his death, injury, disability, redundancy, retirement, TUPE transfer, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Board, then they will be able to retain his option which may vest and become exercisable on the normal vesting date.

The extent of vesting will depend on: (i) the extent to which any performance conditions have been satisfied; and (ii) pro-rating to reflect the reduced period from grant to vesting (although the Board need not pro-rate if it regards this as inappropriate).

The Board can decide that options will vest immediately on cessation (in which case performance will be measured over the period to cessation) and remain exercisable for a limited period thereafter.

If a participant holding a vested option ceases to be an employee or director in the Company's group, he will normally be able to exercise that option within 12 months of the date of cessation, unless the reason for such cessation is the individual's misconduct in which case the option will lapse.

Corporate events

In the event of a change of control of the Company (including by way of a scheme of arrangement or non-UK reorganisation arrangement), or voluntary winding up of the Company, all options will vest and become exercisable early (including up to 20 days before the relevant event) and remain exercisable for a limited period thereafter.

The extent to which options will become exercisable in these situations will depend on: (i) the extent to which any performance conditions have been satisfied; and (ii) pro-rating to reflect the reduced period from grant to vesting (although the Board need not pro-rate if it regards this as inappropriate).

Alternatively, option holders may be allowed to exchange their existing options for new options over shares in the acquiring company.

Options may also vest on the same basis (subject to assessment of any performance conditions and time pro-rating) if a demerger, special dividend or other similar event is proposed which, in the opinion of the Board, would affect the market price of options to a material extent.

In the event of an internal corporate reorganisation, options may be replaced by equivalent new options over shares in a new holding company.

Variation of capital

In the event of any variation in the Company's share capital, the Board may make such adjustment as it considers appropriate to the number of Shares under option and the price payable on the exercise of an option.

The total market value of the Shares over which the option subsists and the total amount payable on the exercise of the option must be substantially the same immediately before and after the relevant adjustment.

Participants' rights

Options will not confer any shareholder rights until the options have been exercised and the participants have received their Shares.

Rights attaching to Shares

Any Shares allotted when option is exercised under the Plan will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Malus and clawback

The Board retains a power to recoup the value of unvested and previously vested options from an individual within a period of 5 years from the date of grant, if it considers it appropriate to do so. The Board may choose to exercise this power in the following circumstances:

- a material misstatement of financial results of the Company; or
- misconduct by a participant; or
- the Company becomes insolvent, is put into administration or suffers a corporate failure.

The Board may require the satisfaction of clawback in a number of ways, including by way of a reduction in the vesting, or size of, any other option, award or bonus (including future options, awards or bonus) and/or a requirement to make a cash payment.

Alterations to the Plans

The Board may, at any time, amend the provisions of the Plans in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares to be acquired and the adjustment of options.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

Prior shareholder approval will also not be required for any amendment to performance conditions applying to an option granted under the Plan.

No alteration may be made to a key feature of Part A of the Plan that is necessary to meet the requirements for tax-advantaged status.

Overseas Plans

The shareholder resolutions to approve the Plan will allow the Board, without further shareholder approval, to establish further plans for overseas territories, any such plan to be similar to the Plan, but modified to take account of local tax, exchange control or securities laws, provided that any shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Plan.

