

SUMMARY OF PROPOSED AMENDMENTS TO THE RULES OF
THE JAMES HALSTEAD PLC SHARE OPTION PLAN (THE "RULES")

There are two aspects to the Rules:

1. Part A relates specifically to share options that are capable of qualifying for tax advantaged status under a form of share option scheme called a company share option plan ("**CSOP**").
2. Part B of the Rules relate to share options that do and will not qualify for tax advantage status. Such share options are called unapproved or non-tax advantaged share options.

This summary lists the substantive changes that have been made to the Rules to take into account changes in legislation and rules affecting listed companies since the Rules were adopted in 2010. Any other changes made bring clarity or consistency to the drafting.

Any definitions referred to or used in this summary are as defined in the Rules unless stated otherwise.

Definitions

- New and amended definitions to cover the introduction of the Market Abuse Rules in 2014 to replace the Model Code; including, for example, Closed Period, Grant Period and Market Abuse Rules.
- The definition of Grant Period specifies when an Option may be granted. One of these is "*the date of the release to the London Stock Exchange of an announcement of the results of the Company in respect of any financial year or any part thereof*". This has been amended to refer to a Closed Period instead. Under the Market Abuse Rules, the Closed Period is the period when the Board is prohibited from dealing in shares. However, the Market Abuse Rules also sets out circumstances when the Board is not restricted from dealing in shares. The move to Closed Period therefore provides the Board with flexibility to grant an Option if the share dealing restrictions do not apply.
- Under the Model Code, shares could not be granted for a period of 42 days after certain events. The Market Abuse Rules has reduced the time period to 30 days. The definition of Grant Period has been updated to reflect this new time frame.
- The definition of Market Value has also been updated to reflect the introduction of the Market Value of Shares, Securities and Strips Regulations 2015.

Rule 4.3 – Option Certificates

- The details to be included in an Option Certificate have been clarified to include reference to the new Clawback or Malus conditions, performance conditions and any Relevant Restrictions in the Option Certificate.

Rule 5.2 – Special rights of exercise

- Reframed to take account of legislative changes such as the introduction of the Equality Act 2010. The specific reference to female Option Holders having a right to return to work has been removed as the position is protected by law and now extended to include shared parental leave thereby protecting both male and female employees.
- Ensured the timescales included in the provisions align with the ability of the Option Holder to exercise the options to align with the legislative requirements to qualify for the available tax advantages.

Rule 5.3 – Lapsing of Options

- An additional provision has been introduced to allow for options failing to meet the tax advantaged criteria still being regarded as valid unapproved share options under Part B of the Rules at the discretion of the Board.

Rules 6 and 7 – Malus and Clawback; Operation of Malus and Clawback

- Introduction of a Malus/Clawback to take account of recent case law and to align with the Investment Association's remuneration principles (November 2019).
- Inclusion of these provisions are to ensure that, if the Remuneration Committee becomes aware that the making of the award or grant of the option was based on misinformation relating to the performance of the Company or Option Holder, or if the underlying financial performance of the Company falls short of what was anticipated, and this is due to financial misstatements or the conduct or exercise of judgment by the directors or Option Holders concerned then:
 - (a) the Options do not vest; and/or
 - (b) if vested, the Shares under the Option may not be acquired; and/or
 - (c) if acquired, the Shares may be recovered from the Option Holder.

Rule 12 – Contracts (Rights of Third Parties) Act 1999

- Introduction to ensure that no other person can enforce the provisions of this Plan other than the parties entering into an Option Certificate.
- This is also be reflected in the letter accompanying the Option Certificate.

Rule 13 – Amendments to the Rules

- The Rules are no longer approved by HM Revenue & Customs. The Company must self-certify that the Rules meet the conditions set out in Schedule 4 of Income Tax (Earnings and Pensions) Act 2003 ("**Schedule 4**").
- The Company must make a declaration with its CSOP annual return that the Plan is a Schedule 4 CSOP and that it meets the requirements of the CSOP code. If any amendments are made during a tax year, these must be declared on the Company's CSOP annual return and the Company must confirm that, following the amendment, the Plan continues to meet the requirements of Schedule 4.

Rule 14 – Data Protection

- Introduction of a short data protection provision that requires to cross refer to the data privacy policy applying to employees more generally.
- This is also reflected in the letter accompanying the Option Certificate.