The Marshalls plc Share Purchase Plan ("the Plan")

Questions and Answers

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1. Summary of how the Plan works

You choose to contribute to the Plan through a payroll deduction from your pay on a monthly basis.

Your contributions are from your pre-tax earnings (i.e. before deductions for Tax and NIC's). The maximum contribution must not exceed 10% of your Gross Pay or £1,800.00, whichever is the lower, in any given tax year.

The contribution you make through payroll is used to buy Partnership Shares in Marshalls plc the following month by YBS Share Plans, part of Yorkshire Building Society. Your shares are then held securely on your behalf by Yorkshire Building Society as Trustee of the Plan.

The price you pay for your Partnership Shares is the 'live' price on the London Stock Exchange each time the Partnership Shares are acquired, so this can vary from month to month.

This is an evergreen Plan and eligible colleagues can join and withdraw from the Plan at any time.

Unlike a Sharesave Scheme there is no 'maturity' under this type of Plan and your deductions will continue indefinitely until such time as you either decide to withdraw from the Plan or the Plan is terminated by Marshalls plc.

You can take your Partnership Shares out of the Plan at any time, but if you take Partnership Shares out of the Plan within five years, you will normally have to pay some Income Tax and NIC depending on how long the Partnership Shares have been in the Plan.

If you keep your Partnership Shares in the Plan for at least five years, you will have no Income Tax or NIC to pay on them.

If you leave Marshalls plc, you must remove all of your Partnership Shares from the Plan. Depending on your reason for leaving, you may have to pay some Income Tax and NIC for those Partnership Shares which have been in the Plan for less than five years. (See Section 10 for more information on taxation.)

With proper approvals, Marshalls plc may at any time modify, amend, alter or terminate the Plan.

2. Why did Marshalls introduce the Plan?

Why was the Plan introduced?

At Marshalls, our success depends, largely, on the efforts of our colleagues. We want everyone to share in the vision, the values and the financial success of Marshalls. The Plan (also known as the Share Incentive Plan, "SIP", or "SPP") was first introduced in 2006, and was extended in 2015 for a further 10 years, with the aim of allowing colleagues to make a personal investment in Marshalls plc shares, with the potential to benefit from Marshalls' success if the share price increases as a result.

The purpose of the Plan is to enable eligible colleagues to acquire shares in Marshalls plc giving them a continuing stake in Marshalls.

The Plan gives you another tax-efficient opportunity to own Marshalls shares. (See Section 10 for more information on taxation).

What is the difference between the Plan and Sharesave schemes?

Under the Plan, you are directly investing in Marshalls' shares and can enjoy the benefits of owning Marshalls shares after only one month. As you own the shares you will be given an opportunity to vote on any company decisions at General Meetings and receive any dividend payments if they are declared. Under a Sharesave Scheme (also referred to as SAYE), there is a "one-off" invitation to join by a fixed date: if you join, you contribute into a savings account which, at the end of an agreed savings period (usually three years), can be used to acquire Marshalls shares at the specified offer price, so you would not become an owner of Marshalls shares for at least three years.

However, like a Sharesave Scheme, the UK HM Revenue & Customs acknowledges the Plan for favourable tax treatment for UK 'employees'. (See Section 10 for more information on taxation.).

Why offer a Share Purchase Plan?

By giving favourable tax treatment, the government supports employee share ownership. The Marshalls Share Purchase Plan enables our employees to share in the future growth of Marshalls by investing in Marshalls shares, and increases the proportion of our colleagues who have a direct stake in Marshalls' success.

The Plan provides the opportunity of investing from pre-tax salary (reducing your taxable income), and allows you to receive the shares free of Income Tax and NIC if certain conditions are met. (See Section 10 for more information on taxation.)

3. Benefits of participating in the Plan

What are the benefits of participating in the Plan?

You can buy Marshalls shares out of your pre-tax and NIC earnings, which costs you less in net pay. The amount of Income tax and NIC deduction will depend on your personal circumstances.

Provided certain conditions are met, you will not pay any tax or NIC on the shares. (See Section 10 for more information on taxation.) **Please note that whilst you will make these income tax and NICs savings at the time deductions are taken from your salary, you'll have to pay income tax and NICs if you withdraw any shares or leave the company in certain circumstances within five years of their purchase date.**

If the price of Marshalls shares increases, you may be able to make a gain when you sell your Partnership Shares.

The tax advantages offered by the SIP mean you should consider any purchase of shares under the SIP as a medium to long term investment.

Why would I want to invest in shares when the share price can fluctuate?

The best time to buy a share is when the share price is low, as this gives you greater potential for making a gain when it rises again. However, we cannot predict how the Marshalls share price will move in the future. By spreading the cost of buying shares over many months and years through regular Plan contributions, this has the effect of averaging out the cost of investing and can mitigate the impact of fluctuations in market value. Before making an investment in Marshalls shares, we encourage you to learn about investing in shares generally, to research the Company's past performance and to consult with a financial adviser about the risks and potential benefits of investing in shares.

What guarantee is there that I will not lose my money?

There is no guarantee. You may lose money if you sell the Partnership Shares at a time when the Marshalls share price is below the price at which the Partnership Shares were bought. Bear in mind that you will have bought the Partnership Shares from your pre-tax and NIC earnings.

Like any investment there are risks associated with holding shares. The value of shares can go down as well as up, so you may not get back the full amount you invest.

Are Marshalls plc shares a good investment?

Marshalls and Yorkshire Building Society cannot give you advice on this point – you should form your own judgment. Before deciding whether investing in shares is right for you, you may find it useful to speak to or contact an Independent Financial Adviser.

What is the catch?

We think that the Plan offers you an excellent benefit, but we cannot guarantee that you will not lose money if the share price falls between the time you buy and the time you sell the shares.

Some lower-paid colleagues may lose certain social security benefits by participating in the Plan. (See Section 10 for more information on taxation.)

4. How to join

When will I become eligible to join?

You are eligible to join the Plan if you are a UK-based ‘employee’ of a “Participating Company (i.e. a company that is part of the Marshalls group) and you have six months’ continuous service with Marshalls.

Participating Companies include all Marshalls’ group companies currently operating our UK-based sites. Previous service with a company that has become part of the group through acquisition where your employment has transferred to a Marshalls’ group company under TUPE will count as continuous service.

Can I apply to join anytime?

Yes. The Plan is an ‘evergreen’ Plan, meaning you can apply to join at any time after you have completed six months continuous service with Marshalls. You are not obliged to participate in the Plan and this invitation does not form part of your contract of employment.

What do I have to do to join the Plan?

Details of the Plan and how to join are in the Guide issued by YBS Share Plans, which is accessible under “Reward and Recognition” via the Marshalls intranet, from your payroll team or from Group HR. Once you have read the joining invitation and information in relation to the Plan (there is also a helpline number for Yorkshire Building Society if you have further questions) - you should complete an application form (the Partnership Shares Agreement) and return it to YBS Share Plans in the pre-paid envelope that will be provided.

In February 2020 it is expected that you will be able to join the Plan online at www.ybsshareplans.co.uk/marshalls - watch this space

5. Your contributions

How much can I choose to contribute to the Plan?

The minimum monthly amount you can contribute is £10.00 (or £2.30 per week if you are paid weekly).

The amount you contribute to the Plan in any tax year must not exceed the *lower* of:

a) £1,800; or

b) 10% of your Gross Pay.

What is my Gross Pay?

Your Gross Pay is your taxable earnings for PAYE purposes. Broadly, this is your total cash earnings, including bonuses and overtime, after deduction of your pension contributions and give-as-you-earn contributions (if applicable).

How do I make contributions to the Plan?

The payroll team will deduct the amount you choose to contribute from your Gross Pay each month at source.

What happens if the amount I want to contribute is more than 10% of my Gross Pay?

The payroll team will automatically cap your contributions at 10% of your Gross Pay.

Can I change my monthly contribution amount once I join the Plan?

Yes. You will be able to change the contribution amount once per month and the change will become effective during the following month. Details will be provided to allow you to change the amount.

Why is the 10% contribution limit not applied to my Gross Pay before deducting pension contributions and give-as-you-earn (if applicable)?

The limit is expressed this way because this is a requirement of tax legislation.

Anyone earning over £18,000 per year will be able to contribute the maximum permitted amount of £1,800

6. Your Partnership Shares

When will my Partnership Shares be bought?

Your Partnership Shares will be bought within 30 days of your deduction from pay, normally on the 3rd of each month.

How much will I pay for my Partnership Shares?

The price you pay for your Partnership Shares is the 'live' market price of a Marshalls plc share on the London Stock Exchange at the time shares are acquired.

The price paid depends on the availability of sellers as well as the level of buyers in the market, so may be higher or lower than the quoted mid-market price on the date they are bought. You can find confirmation of the actual purchase price of Plan shares for each month in the current year by clicking here

What will happen to any amount that is left over after my Partnership Shares have been bought?

Only a whole number of shares will be bought for you. The remaining part of your contribution will be carried forward and added to your next monthly purchase.

How will I know how many shares are held for me in the Plan?

YBS Share Plans will send you an Annual Statement showing you how many Partnership Shares they hold for you in the Plan and you will be able to access your account online to view your share holding

Can I transfer my shares in the Plan?

You may not transfer your Plan shares to anyone else while they remain in the Plan. See Section 5 (Your contributions) for information on withdrawing your contributions from the Plan and Section 8 (Removing your Partnership Shares from the Plan) for information on removing Partnership Shares that have been purchased under the Plan.

7. Rights over your Partnership Shares while they are held in the Plan

Are dividends paid on my Partnership Shares in the Plan?

Yes, once the Partnership Shares have been purchased you will have normal shareholder rights including the right to receive any dividends declared and paid by Marshalls plc. You will be able to ask YBS Share Plans to pay dividends direct to your bank account.

Will I have voting rights based on the number of Partnership Shares I own?

Yes, once you have bought Partnership Shares you will be able to specify how you would like them to be voted, until you sell them. YBS Share Plans will contact you at the appropriate time(s) to ask you to give them your voting instructions.

What happens if Marshalls plc is taken over?

Special rules apply if there is a general offer for Marshalls plc shares, or a company reconstruction. The detailed rules and trust arrangements are set out in the Plan Rules and Trust Deed. Copies of the Plan Rules and the Trust Deed can be inspected on application to the Company Secretary.

Can I sell my Partnership Shares or have them transferred into my own name?

See Section 8 (Removing your Partnership Shares from the Plan).

8. Removing your Partnership Shares from the Plan

When can I take my Partnership Shares out of the Plan?

You can instruct YBS Share Plans to sell or transfer your Partnership Shares at any time. However, you will normally have to pay some Income Tax and NIC if you take the Partnership Shares out of the Plan within five years of their Award Date (the date on which the Partnership Shares were purchased). (See Section 10 for more information on taxation.).

For example, if you have been purchasing Partnership Shares under the Plan since December 2014 your first shares purchased in December 2014 will become tax-free on 3 December 2019. Each subsequent purchase of shares become tax free monthly thereafter. In other words, subsequent shares purchased by you under the Plan only become tax-free on the fifth anniversary of their date of purchase. For an example of this please see below:

Example 1

Shares purchased in the month of November 2019 are available tax free from December 2024

Example 2

Shares purchased in the month of December 2019 are available tax free from January 2025

Do I have to take my Partnership Shares out of the Plan after five years?

No. If you are still employed by Marshalls, you may find it more convenient to keep your Partnership Shares in the Plan, even after this five-year point, until you choose to sell or transfer them. You pay no Capital Gains Tax on any increase in the value of your Partnership Shares while they are held in the Plan.

How do I sell my Partnership Shares/have them transferred to me?

Contact the YBS Share Plans helpline directly on 0345 1 200 300 to find out how you can release the shares from the Plan

If you sell or request to withdraw Partnership Shares from the Plan, there will be some associated dealing and/or administrative costs to pay. These amounts will be deducted from the sale proceeds or sufficient Partnership Shares will be sold to cover these costs.

Can I transfer my Marshalls shares into an Individual Savings Account (ISA)?

Your shares can be transferred to a ‘stocks and shares’ ISA (within the normal annual limits) within 90 days of being taken out of the Plan. If you transfer within 90 days, the current tax rules mean your shares continue to have the tax benefits of shares held in an ISA. Ask an Independent Financial Advisor if you would like more details on how to transfer your shares to an ISA.

9. Leaving Marshalls

What happens if I want to withdraw from the Plan?

If you wish to withdraw from the Plan, you should complete a SIP Release Form and send it to YBS Share Plans . Any outstanding contributions will be returned to you after deduction of Income Tax and NIC. Remember you'll have income tax and NICs to pay on any Partnership and Matching Shares you haven't held for at least five years.

If you stop making contributions and / or withdraw your shares you can re-join the SIP at any time whilst you remain employed by ABC Group plc.

What happens if I leave Marshalls?

You must stop contributing to the Plan. Any outstanding contributions will be returned to you after deduction of Income Tax and NIC once you have released your shares from the Plan

You must take your Partnership Shares out of the Plan immediately. You can release the shares and keep them and receive a share certificate in due course or you can elect to sell them immediately and receive the cash proceeds.

Unless you have left in certain specified circumstances (see below), you will have to pay some Income Tax and NIC on the Partnership Shares that were bought for you or awarded to you in the previous five years. (See Section 10 for more information on taxation.)

What are the specified circumstances referred to above?

You will not be subject to Income Tax or NIC when your Partnership Shares are taken outof the Plan if you have left Marshalls for one of the following reasons:

- injury or disability
- redundancy
- retirement (by agreement with the company)
- transfer of employment to which the Transfer of Undertakings (Protection of Employment) Regulations 2006 apply
- change of Control or other circumstances ending the Associated Company status of the Company by which I am employed

Can I leave my Partnership Shares in the Plan after I have left Marshalls (e.g. until they become tax-free)?

No. They must be taken out of the Plan immediately.

What happens if I die?

Your personal representatives (usually your relatives) will need to take your Partnership Shares out of the Plan. No deduction for Income Tax or NIC will be made

10. Tax implications

How does the Plan reduce the amount of tax I pay?

The Plan is designed to be as tax-efficient as possible and it has been approved by HM Revenue & Customs. In particular, you pay no Income Tax or NIC on any Partnership Shares that have been held in the Plan for at least five years.

The following table summarises the tax position at various stages.

Event	Tax position
When you make your contributions	Your contributions are taken out of your pay before Income Tax and NIC are deducted. This means that your Partnership Shares cost you less as a net amount than if you had bought them from your taxed income.
When your Partnership Shares are purchased	You pay no Income Tax or NIC.
While your Partnership Shares are held in the Plan	You pay no Income Tax or NIC. Capital gains tax (CGT) will not apply to any increase in the value of your Partnership Shares while they are held in the Plan or if you sell them directly from the Plan whilst you are employed by Marshalls. If you leave Marshalls your shares will no longer be part of the Plan and maybe subject to CGT if the shares have increased in value between your leave date and the date that they are sold.
When you take your Partnership Shares out of the Plan	You pay no Income Tax or NIC if you have left your Partnership Shares in the Plan for at least five years from their Award Date. See the table on the next page for tax implications of taking shares out of the Plan within five years.
After taking your Partnership Shares out of the Plan	You may however have CGT to pay if you sell your shares on leaving the Company or if you withdraw them from the SIP, hold them for a while and then sell them at a later date. You can find further information about CGT on the HM Revenue and Customs website at https://www.gov.uk/capital-gains-tax/overview.

What is the benefit of contributing from my pre-tax and NIC earnings?

Yorkshire Building Society buys your Partnership Shares with contributions taken from your earnings before Income Tax and NIC. This has the effect of reducing your gross earnings for both Income Tax and NIC purposes. Therefore, if you pay Income Tax at 20% and NIC at 12%, for every £10 worth of Partnership Shares bought, you only pay £6.80.

The amount of income tax and NICs that you pay will depend on your own personal circumstances. **Scottish and/or Welsh rates/bands of income tax may differ**. Please note that whilst you will make these income tax and NICs savings at the time deductions are taken from your salary, you'll have to pay income tax and NICs if you withdraw any shares or leave the company in certain circumstances within five years of their purchase date.

For a few colleagues, contributing from pre-NIC earnings may affect entitlement to some social security benefits; statutory maternity pay and statutory sick pay (see the next question).

Can joining the Plan affect my entitlement to social security benefits?

As your contributions to the Plan reduce your pay for NIC purposes, this may affect your entitlement to, or the level of, some social security benefits, statutory sick pay, and statutory maternity pay.

This particularly affects you if, because of your contributions to the Plan, your gross earnings (i.e., before tax) are reduced below the NIC Lower Earnings Limit.

More detailed information about this is available in HMRC booklet IR177 available on the HMRC website – click here

How much Income Tax and NIC do I pay on my Partnership Shares when I take them out of the Plan?

This depends on the amount of time they have been held in the Plan since the Award Date.

Type of Shares	**Within 3 years**	**Between 3 and 5 years**	**After 5 years**
Partnership Shares	You pay Income Tax and NIC on the market value of these shares at the date you take them out of the Plan.	You pay Income Tax and NIC on *the lower of* the amount you paid for the shares *and* their market value at the date you take them out of the Plan.	No Income Tax or NIC.

How do I pay the Income Tax and NIC when my Partnership Shares are taken out of the Plan?

In most cases, you don't need to do anything. If you ask Yorkshire Building Society to sell the Partnership Shares, they will deduct any applicable Income Tax and NIC from the sale proceeds (after any share dealing fees) before sending the balance to you.

If you ask Yorkshire Building Society to transfer the Partnership Shares into your name, you must first pay them the amount of Income Tax and NIC that is due. Alternatively, you can ask Yorkshire Building Society to sell just enough Partnership Shares to cover the Income Tax and NIC and they will transfer the balance of the Partnership Shares to you. Any Share dealing fees will need to be settled with the Yorkshire Building Society before shares are released.

Will I need to pay any Capital Gains Tax when I sell my Partnership Shares?

Capital Gains Tax (CGT) is a tax on any increase in the value of assets such as your Partnership Shares.

You pay no CGT on any increase in the value of your Partnership Shares while they are held in the Plan.

If you choose to have your Partnership Shares transferred to you and keep them for some time before disposing of them, you may need to pay some CGT on any increase in their value since you took them out of the Plan.

A portion of capital gains made by an individual in each tax year is exempt from CGT. You can find up to date information about the current Capital Gains tax allowances by clicking here

Important Note:

The guidance on taxation in this Q and A is based on current legislation and HMRC practice. Marshalls plc and YBS Share Plans cannot accept any responsibility for changes to current legislation or practice. The amount of tax that you might pay will depend on your personal circumstances. If you are unsure whether the SIP has any tax consequences for you, you should seek the advice of an Independent Financial Advisor.

11. Administration of the Plan

Who is the Trustee of the Plan?

Yorkshire Building Society is the Trustee of the Plan. YBS Share Plans also serves as administrator under the Plan.

Why should I trust Yorkshire Building Society and YBS Share Plans?

They have many years of experience of acting as share plan administrators. They are required by law to administer the Plan for the benefit of the participating 'employees'. They will act on your instructions as to what to do with your Partnership Shares subject to the requirement of the law (e.g. tax deductions).

Your eligible deposits with Yorkshire Building Society are protected up to a total of £85,000 by the Financial Services Compensation Scheme, the UK's deposit guarantee scheme. This limit is applied to the total of any deposits you have with the following: Yorkshire Building Society, Chelsea Building Society, Norwich & Peterborough Building Society and Egg. Offset deposits through our subsidiary Accord Mortgages Limited are held by Yorkshire Building Society on behalf of Accord. Any total deposits you hold above the £85,000 limit between these brands are unlikely to be covered. For further information please refer to the enclosed ABC Group plc Partnership and Matching Shares Agreement.

Yorkshire Building Society is a member of the Building Societies Association and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Yorkshire Building Society is entered in the Financial Services Register and its registration number is 106085. Head Office: Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ.

How do I contact Yorkshire Building Society?

See Section 12 (How to get further information).

12. How to get further information

Who do I ask for further information about the Plan?

Contact Yorkshire Building Society for questions on enrolling, re-enrolling or managing your account.

- Address: YBS Share Plans, Yorkshire Building Society, Yorkshire House, Yorkshire Drive, Bradford BD5 8LJ
- Phone: 0345 1 200 300 Note: All communications with the Yorkshire Building Society may be monitored/recorded to improve the quality of their service and for your protection and security. Prices can be checked with your phone provider. Mobile calls usually cost more.

How do I find out Marshalls' Share price?

There are share price apps, including the one that comes as standard on iPhones and Android devices. It can be found by visiting the company website – click here

13. Glossary of terms

Award Date	The monthly date, when your Partnership Shares are purchased
CGT	Capital Gains Tax
Gross Pay	Your total cash earnings, including bonuses and overtime, after deduction of your pension contributions and give-as-you-earn contributions
NIC	National Insurance Contributions
Partnership Shares	Shares bought using the contributions you make to the Plan
Partnership Shares Agreement	An agreement that sets out the terms of the Plan and in which you agree to contribute an amount each year into the Plan
SIP or SPP	The Marshalls plc Share Incentive Plan more commonly known as the Share Purchase Plan
Trustee	Yorkshire Building Society