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Explanatory note of the business to be considered at the 2021 Annual General meeting

The notice of the 2021 Annual General Meeting is enclosed and the purpose of this note is to explain the business to be considered at the Annual General Meeting, the action to be taken by shareholders, and your Directors' recommendations.

Resolution 1 – To receive the Accounts.

The Directors are required to present the Accounts to the Annual General Meeting for consideration by shareholders.

Resolutions 2 and 3 – To re-appoint Deloitte LLP as auditors of the Company and to authorise the Board to determine the remuneration of the auditors.

At each general meeting at which the Company's accounts are presented to shareholders, the Company is required to appoint an auditor to serve until the next such general meeting. The Board recommends the re-appointment of Deloitte LLP as the Company's auditors and that the Board should be authorised to determine the auditors' remuneration.

Resolution 4 – To authorise the Remuneration Committee of the Board to alter the terms of any non-tax advantaged share options (Tranche 2) granted or to be granted under the Company's Share Option Plan

Senior management currently hold a combination of Tranche 1 and Tranche 2 share options through their participation in the Hampden & Co plc Share Option Plan ("SOP"), which was established in June 2017.

Tranche 1 options are subject to a fixed exercise price of 130p per share. Tranche 2 options are subject to an exercise price that ratchets up / increases at the rate of 10% p.a. Both tranches are currently underwater (out of the money) and, in the case of Tranche 2 options, by reason of the ratchet, continue to go deeper underwater.

The Remuneration Committee of the Board is concerned about the poor alignment of interests between senior management and shareholders and have been examining ways to improve this with a particular focus on the Tranche 2 options. After careful consideration the Remuneration Committee have concluded the following with respect to both the Tranche 1 and Tranche 2 options:

For the Tranche 1 options - These are to remain unchanged. The Remuneration Committee has determined that the alignment factor for these options is expected to improve.

For the Tranche 2 options - The terms of these options are recommended to be changed. The Remuneration Committee has determined that the alignment factor for these options will not improve. It is proposed that:

- the 10% ratchet be removed;
- the exercise price be rebased to 200p (being twice the price of shares price at last capital raise in Q4 2020);
- 20% of the Tranche 2 options be surrendered by option holders (a detriment to be incurred by option holders as a quid pro quo for the proposed rebasing).

The above approach for Tranche 2 options is seen as fair to both management and shareholders. Given that the most recent share offer price was 100p, the proposed (rebased) exercise price of 200p is seen as a challenging and credible performance hurdle that should encourage management to continue to focus on creating equity value. The 20% reduction of Tranche 2 options is a further measure to ensure the rebasing is considered fair.

Resolution 5 - Authorisation for increased ratio of fixed to variable pay

Following changes to the EU Capital Requirements Directive, known as 'CRD V', together with rules made by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), the Company will be prevented from paying certain staff an amount of variable remuneration that represents more than 100% of their fixed remuneration.

However, it is possible, in accordance with the requirements of CRD V, to pay those staff an amount of variable remuneration that represents up to 200% of the amount of their fixed remuneration if shareholder approval for that higher limit has first been obtained. These limits are otherwise known as the bonus cap, which takes effect for performance years starting on or after 29 December 2020.

Shareholders are asked to approve Resolution 5, which would give the Company the flexibility to increase the variable component of remuneration of its Remuneration Code Staff above 100% of the fixed component but subject always to a maximum of 200% of the fixed component.

It is important that shareholders understand that this resolution is not a licence for the Company to inflate remuneration levels. The motivation is purely practical, as the higher ratio gives the Company the flexibility in relation to the non tax-advantaged share options granted or to be granted under the SOP, which is the only situation currently envisaged where the 100% fixed remuneration cap could potentially be exceeded given the calculation methodology required for these options.

Requirements for Adoption of Resolutions

Resolutions 1 to 5 will be proposed as ordinary resolutions. In order to be passed, an ordinary resolution requires the approval of a majority of the votes cast on the resolution at the Annual General Meeting.

However, as required by the Capital Requirements Directive IV for the financial services industry, Resolution 5 will only be passed if it is approved by a majority of at least 66% of the votes cast on the resolution, provided that at least 50% of the total shares are represented (in person or by proxy) at the AGM. If the latter (50%) condition is not met, at least 75% of the shares or ownership rights represented (in person or by proxy) at the AGM must approve the resolution for it to pass.

In accordance with the Company's articles of association (the "Articles"), resolutions 4 and 5 require Extraordinary Shareholder Consent (as defined in the Articles and being the approval by 60% or more of the votes cast on the relevant resolution) in addition to the approvals required by law. Accordingly, although resolutions 4 and 5 will be proposed as ordinary resolutions, each of those resolutions will only be validly passed if 60% or more of the votes cast on each resolution are cast in favour.

Action to be Taken in Respect of the Annual General Meeting

Holders of ordinary shares will find enclosed a Proxy Form for use in connection with the Annual General Meeting. You are requested to complete the Proxy Form in accordance with the instructions printed on it and return the Proxy Form either in the enclosed reply paid envelope, or a scanned copy of a completed Proxy Form may be submitted electronically via email to investors@hampdenandco.com, so as to be received by the Company as soon as possible and, in any event, not later than 11:00 a.m. on 7 June 2021.

If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately.