

IMPORTANT POINTS TO NOTE ABOUT THE ATTACHED CIRCULAR

(the “Migration Circular”)

1. The purpose of the Migration Circular is to convene an EGM on 21 January 2021 in order to seek shareholder approval in respect of certain changes to the way shareholders may hold and settle trades in shares in the Company.
2. These changes are a direct consequence of the UK’s departure from the EU and other Irish companies, listed on the stock exchanges in Dublin and/or London, are having to seek similar approval.
3. The vast majority of the Migration Circular is devoted to explaining changes that must be made to the existing mechanism for settling trades in the Company’s shares on the London Stock Exchange. Currently all trades on the London Stock Exchange are settled via the CREST securities settlement system in the UK. However, with the UK’s departure from the EU, the Company has no choice but to migrate from the CREST securities settlement system to a new arrangement involving a combination of Euroclear Bank in Brussels and the CREST system (the “**Migration**”). The structure of this new arrangement is more complex than the existing CREST system and this is why the Migration Circular is so long.
4. The Migration will require shareholders to approve the first three resolutions at the EGM. **It is essential that these resolutions be approved, if the Company is to maintain its listing on the London Stock Exchange.**
5. These changes will have an immediate effect for all shareholders who rely on the CREST system. It is therefore important that shareholders who rely on the CREST system read all of the Migration Circular if they are to fully understand how the changes will affect them in March 2021.
6. The impact on shareholders who hold their shares outside of the CREST System (for the reason that their shares are represented by paper share certificates) will be much less. Nevertheless these shareholders should make themselves aware of the changes now or at some time in the future because there will be some consequences if they decide to sell their shares via a stockbroker on the stock exchange. In addition, the changes will affect them eventually on account of other changes required to take effect by EU law in 2023 and 2025.
7. In Part 2 of the Migration Circular, there is a Q&A regarding the impact of the Migration which shareholders may find helpful.
8. **These changes also mean that it will no longer be feasible for the Company to maintain the Grafton Unit in its current form.** The Board is therefore seeking shareholder approval to simplify the Grafton Unit by the cancellation of the ‘A’ Ordinary Shares and the purchase of the ‘C’ Ordinary Shares and related waiver of rights (the “**Simplification of the Grafton Unit**”).
9. This Simplification of the Grafton Unit will require shareholders to approve three additional resolutions at the EGM. The approval of these resolutions is not conditional on the Migration taking place. If the resolutions are approved, the Grafton Unit will consist only of an Ordinary Share with effect from the close of business on 7 March 2021.
10. The Simplification of the Grafton Unit will also require new arrangements regarding dividend withholding tax and this is explained overleaf.

THE IRISH TAX CONSIDERATIONS SUMMARISED BELOW ARE FOR GENERAL INFORMATION ONLY. EACH SHAREHOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISER AS TO THE PARTICULAR IRISH AND NON-IRISH TAX CONSEQUENCES THAT MAY APPLY TO SUCH SHAREHOLDER.

Dividend Withholding Tax following the Simplification of the Grafton Unit

Currently no Irish or UK dividend withholding tax (“DWT”) applies to dividends paid in respect of the ‘C’ Ordinary Shares in Grafton Group (UK) plc. Following the Simplification of the Grafton Unit, Irish DWT (currently 25%) will apply to dividends or other relevant distributions (“**dividends**”) paid by Grafton Group plc. The Irish DWT requirements will not apply to dividends paid to certain categories of Irish resident shareholders or to dividends paid to certain categories of non-Irish resident shareholders, subject to those shareholders attending to the appropriate administrative requirements. In Section 2(d) of Part 7 of the Migration Circular, there are details of how DWT, where applicable, may be credited against the Irish income tax liability of non-Irish resident and Irish resident Shareholders.

If a shareholder is not tax resident in Ireland, they will be exempt from DWT provided that they fall within one of the following categories and also provided that on a timely basis in advance of the payment of any dividend, they make an appropriate declaration of entitlement to exemption to the Company:

- persons (other than a company) who (i) are neither resident nor ordinarily resident in Ireland and (ii) are resident for tax purposes in (a) a country which has signed a double taxation agreement with Ireland (a “**tax treaty country**”) or (b) an EU member state other than Ireland;
- companies not resident in Ireland which, by virtue of the law of an EU member state or a tax treaty country, are resident in an EU member state or a tax treaty country and are not controlled, directly or indirectly, by an Irish resident or Irish residents;
- companies not resident in Ireland which are directly or indirectly controlled by a person or persons who are, by virtue of the law of a tax treaty country or an EU member state, resident for tax purposes in a tax treaty country or an EU member state other than Ireland and which are not controlled directly or indirectly by persons who are not resident for tax purposes in a tax treaty country or EU member state;
- companies not resident in Ireland, the principal class of shares of which is substantially and regularly traded on a recognised stock exchange in a tax treaty country or an EU member state including Ireland or on an approved stock exchange; or
- companies not resident in Ireland that are 75% subsidiaries of a single company, or are wholly-owned by two (2) or more companies, in either case the principal classes of shares of which is or are substantially and regularly traded on a recognised stock exchange in a tax treaty country or an EU member state including Ireland or on an approved stock exchange.

In the case of an individual non-Irish resident shareholder who is resident in an EU member state or tax treaty country, the declaration must be accompanied by a current certificate of tax residence from the tax authorities in the shareholder’s country of residence. In the case of both an individual and corporate non-Irish resident shareholder resident in an EU member state or tax treaty country, the declaration must also contain an undertaking that he, she or it will advise the Company accordingly if he, she or it ceases to meet the conditions to be entitled to the DWT exemption. No declaration is required if the shareholder is a 5% parent company in another EU member state in accordance with section 831 of the TCA.

In Section 2(c) of Part 7 of the Migration Circular, there is a list of the categories of Irish tax resident shareholders that are exempt from DWT if they make an appropriate declaration of entitlement to exemption.

Investors who hold their shares through a qualifying intermediary should make the appropriate declaration of entitlement to exemption on a timely basis to that intermediary.