

30 March 2021

Dignity plc

(“Dignity” or the “Company”)

Publication of Circular and Notice of General Meeting

On 10 March 2021, Phoenix UK Fund (“Phoenix”) (the Company’s largest single shareholder with a holding of approximately 29.9% of the issued Ordinary Shares) served a requisition notice under section 303 of the Act seeking to remove Clive Whiley as executive chairman and replace him with the chief investment officer of Phoenix, Gary Channon. The responsibility for responding to the Requisition Notice, convening the required General Meeting and providing the Board’s views on the Resolutions that have been proposed has been delegated to the Independent Directors.

Dignity is today publishing a circular which is being sent to Shareholders (the “Circular”) for the purposes of convening the required General Meeting to consider the Resolutions. The General Meeting of the Company is to be held at 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands, B73 6AP on 22 April 2021 at 11.00 a.m. All shareholders are encouraged to vote on the proposed resolutions and the procedures for participating and voting at the General Meeting are set out in the Circular.

The Circular includes a letter from the Independent Directors setting out their recommendation to Shareholder regarding the Resolutions. The full text of that letter is set out in Appendix 2 to this announcement. The text of a statement made by Phoenix in relation to the Resolutions (and which the Company is required to share with Shareholders under the Act) is set out in full in Appendix 1 to this announcement.

This announcement and its appendices should be read together and in full, but a summary of the views of the Independent Directors is as follows:-

- This wholly unnecessary act came at a time when the Board had been making considerable progress towards the completion of the previously announced root and branch review which, since mid-December 2020, has involved an extensive collaborative approach with Phoenix – something which the Independent Directors welcomed and believed was likely to provide significant benefits to the Group.
- The Group is determined to complete delivery of its current strategic review and the current Requisition Notice not only takes up current management time, but (if successful) would result in widespread Board and senior management change that would take valuable time away from this process and prolong it unnecessarily. The Board is confident that the current root and branch review is on track for delivery in June 2021 and would want the opportunity to present the outcome of this exercise to the market as soon as possible. This should give the confidence to Shareholders and investors in the continued growth and success of Dignity. The Independent Directors believe management continuity is vitally important to the strategic direction of the business, as the Group works toward stability and growth.
- The timing of the Requisition Notice is hard to comprehend, given the good progress on the Group’s strategy plans to date. The behaviour displayed by Phoenix in the run up to the Requisition Notice and in determining to serve it on the Company at this time has led all three of the Independent Directors to form the view that Phoenix is not acting in the best interests of Shareholders as a whole, but is instead driven primarily by its own self-interest. The Independent Directors believe Phoenix is now seeking to exert executive control over the Board (and thereby control of the Company) without paying any bid premium and its actions show a willingness to act in a manner which does not respect the corporate governance principles applicable to public companies.
- The Independent Directors also unanimously agree that, by virtue of his behaviour throughout the course of the Board’s dealings with him, Gary Channon has demonstrated himself as lacking the skills and judgement required of someone seeking to be responsible for leading the executive function of a

public company of Dignity's stature. The basis on which the Independent Directors have formed this view is set out in the letter in Part 2 of document.

- In stark contrast, each of the Independent Directors believes that, since his appointment as executive chairman, Clive Whiley has worked tirelessly to deliver on the root and branch review he was brought in to orchestrate, at all times seeking to balance the interests of all Shareholders and other stakeholders in an appropriate manner. This process has been conducted against the challenging backdrop of a global pandemic, a CMA investigation into the funeral industry as a whole and the forthcoming introduction by the FCA of a new regulatory regime applicable to the Group's pre-need business.
- The Independent Directors believe that Clive Whiley has had a galvanising effect on the business, is well-regarded within the business and is respected in the City as an experienced and effective executive chairman. He should therefore be given the time to conclude the strategy review and re-positioning of the Company with the continuing help of the Group's executive management team, so that the Board can reach properly thought-through conclusions, without being dictated to by a minority shareholder whose motivation appears to be driven primarily by its own objectives.
- Should the Resolutions be passed, each of the Independent Directors has reluctantly reached the conclusion that they would not feel able to fulfil their respective roles on the reconstituted Board with Gary Channon at the helm. They would therefore feel compelled to resign, which would have the unfortunate and unwanted effect of further consolidating executive control in the hands of Phoenix.
- The Independent Directors strongly recommend that Shareholders therefore vote AGAINST both of the Resolutions proposed in the Requisition Notice so as to ensure that the Company's affairs can be run in the best interests of Shareholders as a whole, according to sound corporate governance principles and not according to the wishes of a minority shareholder under the direction of an individual who (in the views of the Independent Directors) has generally shown himself to be unwilling to accept views which do not accord with his own.

Further details of the Resolutions and the General Meeting (including the procedures for participating and voting) are set out in the Circular.

Given the size of Phoenix's existing shareholding, the vote of all Shareholders on this matter is crucial. The Independent Directors urge all Shareholders to act immediately upon receipt of the Circular by voting AGAINST both of the Resolutions being proposed at the General Meeting, so as to prevent Phoenix acquiring executive control of the Company and thereafter acting in a manner which could be seriously damaging to the Company, its Shareholders and other stakeholders.

A copy of the circular published today will shortly be available on the Company's website www.dignityplc.co.uk and available at the National Storage Mechanism which is located at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>.

A message from Dignity's Independent Non-Executive Directors can be viewed here: <https://webcasting.buchanan.uk.com/broadcast/6061c5d0d7d1917e69018b6f>

Capitalised terms used in this announcement have the same meaning as set out in Appendix 3 to this announcement unless otherwise defined.

LEI: 21380049687CNAYKV483

Helpline

The procedure for voting at the General Meeting and the action to be taken is in the letter set out on part 2 of the circular. Dignity Shareholders who have any questions regarding the General Meeting and the procedures to follow in casting their votes may raise these, either: (i) by calling Boudicca from Equiniti on 0371 384 2903 (calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United

Kingdom will be charged at the applicable international rate. The helpline is open between 9:00 a.m. and 5:00 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Boudicca from Equiniti cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes), or (ii) by writing to Boudicca from Equiniti, PO Box 5214, Aspect House, 63 Spencer Road, Lancing Business Park, Lancing BN99 9EZ.

For further information please contact:

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Appendices

Appendix 1, 2 and 3 are extracted without amendment from the Circular and accordingly references in the Appendices to other parts of the document are references to the Circular.

Appendix 1 – Statement provided by Phoenix pursuant to section 314 of the Act

"Dear Fellow Shareholder,

We are today requisitioning a general meeting to ask for your support for a motion to replace the executive chairman, Clive Whiley, with Gary Channon, the founder and CIO of Phoenix, Dignity's largest shareholder. We believe this step is in the best interests of the long term shareholder value of Dignity.

If that motion is successful then James Wilson of Phoenix will step down as a non-executive director of Dignity, thereby maintaining a single Phoenix representative on the board of the Company.

Gary Channon will not be paid for his services as an executive director of the Company, just as James Wilson has been unpaid. Gary and Phoenix will receive no compensation or cost reimbursement in any form from the Company. The only way in which we will benefit from the proposals is through increasing the value of our 29.9% shareholding in Dignity.

We are not seeking to control the board. We pledge that there will never be more than one Phoenix representative on the board, meaning that the independent directors will always have the final say on important decisions.

It is also important to make clear that we do not seek control of the equity. We pledge that while Gary is on the board, Phoenix will not increase its shareholding beyond its existing 29.9% and we pledge not to make a bid for the Company, unless a third party has bid. Gary is willing to put himself up for re-election at all future AGMs. We believe all of these commitments make us fully aligned with the long term interests of you, our fellow shareholders.

Phoenix and Gary have a 23 year record of conducting business with integrity and transparency. We have an open and honest way of communicating with investors and Dignity shareholders can expect the same. Following his appointment, Gary intends to write a report to shareholders with an honest appraisal of what he has found and to explain the strategies being pursued.

Based on our understanding of the business resulting from our involvement with Dignity, we believe that although the Company faces many significant challenges as the funeral industry changes, there is great value to be unlocked if the right course is pursued in an expedient manner. We have been involved inside the

business since the Company's announcement on 14 December 2020, and are bound by a confidentiality agreement with the Company not to share the details.

We therefore ask for your support in voting in favour of the resolutions set out above at the forthcoming General Meeting."

Appendix 2 – Independent Directors' letter

**“Letter from the Independent Directors of
Dignity plc
(Incorporated in England and Wales with registered number 04569346)**

Registered Office
4 King Edwards Court
King Edwards Square
Sutton Coldfield
West Midlands
B73 6AP

Directors

Clive Whiley, Executive Chairman
Andrew Judd, Director of Funeral Operations
Dean Moore, Interim Chief Financial Officer*
Paul Humphreys, Non-Executive Director*
Gillian Kent, Non-Executive Director*
James Wilson, Non-Executive Director

*(*Considered to be Independent Directors for the purposes of this letter)*

To Shareholders

Dear Shareholder,

GENERAL MEETING CONVENED UNDER SECTION 303 OF THE ACT

1. Introduction

On 10 March 2021, Phoenix UK Fund (the Company's largest single shareholder with a holding of approximately 29.9% of the issued Ordinary Shares) served a requisition notice under section 303 of the Act seeking to remove Clive Whiley as executive chairman and replace him with the chief investment officer of Phoenix, Gary Channon. The timing of delivery of the Requisition Notice, at a point when a constructive and collaborative exercise between the Company's executive management teams and Phoenix regarding the future strategy for the business (announced on 14 December 2020) was drawing to what the Independent Directors believed would be a productive and successful conclusion, is quite extraordinary.

This has led the Independent Directors to conclude that Phoenix is not acting in the best interests of Shareholders as a whole, but is driven primarily by its own self-interest, is now seeking to exert executive control over the Board (and thereby control of the Company) without paying any bid premium and shows a willingness to act in a manner which does not respect the corporate governance principles applicable to public companies. The Independent Directors have also formed the strong view that, by virtue of his behaviour throughout the course of the Board's dealings with him, Gary Channon has demonstrated himself as lacking the skills and judgement required of someone seeking to be responsible for leading the executive function of a public company of Dignity's stature.

The Independent Directors believe very strongly that the Requisition Notice was entirely unnecessary and totally against the best interests of the majority of Shareholders and other stakeholders. Indeed, they implored Phoenix and Gary Channon not to proceed with it and the fact that the carefully considered views of the

Independent Directors on this crucial matter were totally disregarded re-enforces the conclusions they have reached.

In this context, it falls upon the Independent Directors to explain the background to the Requisition Notice, the reasons behind their decision to recommend that Shareholders vote against the Resolutions and the rather stark choice now facing Shareholders.

2. Constitution of the Requisition Committee

Following receipt of the Requisition Notice, the Board met to consider the appropriate response. In view of Clive Whiley being the subject of one of the Resolutions in the Requisition Notice and James Wilson's interest as a representative of Phoenix, both recused themselves from the initial meeting convened to consider this matter.

At its meeting, the Board resolved to appoint a Requisition Committee charged with convening the General Meeting and expressing the views of the Independent Directors. The Board considered it important to include Clive Whiley as a member of the Requisition Committee in an advisory capacity, given his familiarity with many of the matters to be considered. The Board also unanimously agreed that Andrew Judd, who joined the Board as an additional executive director on 14 December 2020 and who has responsibility for the Group's funeral operations, should not participate on the Requisition Committee so that he could focus on his executive duties. Bearing in mind that Andrew Judd's appointment to the main Board in December 2020 was, in part, sponsored by Phoenix, the Requisition Committee has also concluded that it would be inappropriate to include him as an Independent Director for the purposes of this letter.

The views expressed in this letter are therefore entirely the views of the Independent Directors, all of whom were initially appointed as non-executive directors of independent standing (although Dean Moore has since moved to an executive role on an interim basis, largely as a result of the actions of Phoenix).

3. Background to the Requisition Notice and the relationship between the Company and Phoenix

Since Phoenix became a significant minority shareholder in early 2019, the Board has recognised that it has needed to tread a fine balance between listening to and respecting the views of its largest single shareholder and protecting the interests of Shareholders as a whole and other stakeholders in the Company.

The Independent Directors believe it is important to share with all Shareholders some context behind the relationship with Phoenix and the apparent triggers for the delivery of the Requisition Notice, as this helps explain why the Independent Directors have formed the conclusions they have reached.

This is not the first time Phoenix has sought changes to the Board and/or threatened to requisition a meeting of Shareholders in order to get its way

In the Phoenix Statement, Phoenix claims that it is not seeking to control the Board and yet its behaviour and the actions of Gary Channon on its behalf over the last two years demonstrate quite the opposite. Gary Channon has continually threatened the Board with requisitions to remove and/or appoint directors whenever he has felt that the Board has been unwilling to accede to his wishes.

- During the period from February to April 2019, there was a series of interactions between Phoenix and the Company regarding the position of Peter Hindley (the then non-executive chairman, who had served as chairman for over 10 years). The Company had identified a prospective replacement to accommodate Peter's retirement after an extensive executive search. However, Gary Channon informed the Company that the proposed chairman candidate identified by the Board was not (in his view) suitable and at that point also started agitating for a representative on the Board. In order to accommodate the views of Phoenix, it was agreed that Peter Hindley would stay on as chairman while a new search was commenced, but retire at the next annual general meeting and, in the meantime, a Phoenix representative, James Wilson, would be appointed to the Board as an additional (though non-independent) non-executive director.

- In August 2019, Gary Channon threatened the Board with the requisition of a general meeting of Shareholders to appoint Clive Whiley as chairman, largely because he believed the Company was delaying the appointment of a new chairman. Clive Whiley (who had been proposed as a potential chairman candidate by another Dignity shareholder), was well-known to Gary Channon from his time as an executive director of The Stanley Gibbons Group plc and was someone he rated "highly". At the time, Gary Channon wrote to the Company saying "a candidate for the role has been proposed who we and others are delighted with and yet you not only have not been able to meet him or interview over the phone but you are still looking for other candidates. Surely all you need to do is speak to Clive and see whether you are happy with him, or at least don't have a reason to object to his appointment." Ultimately, the Board agreed with Phoenix's assessment of Clive Whiley and concluded that he did have the requisite experience and knowledge and was suitably independent from Phoenix, and as such, should be appointed to the Board as chairman. This was announced on 27 September 2019. It is ironic that Phoenix now wishes to replace Clive Whiley, whom it had previously rated "highly" and with whom they were "delighted". Shortly before this time, Mary McNamara, a non-executive director of Dignity, had indicated that she wished to resign from the Board and this was announced on 18 September 2019.
- In February 2020, shortly before the announcement of preliminary results for the 52 week period ended on 27 December 2019, James Wilson wrote to the Board expressing Phoenix's view that the actions of the management had not been decisive and market share was not being protected. He expressed the view that the transformation plan announced to the market was flawed and proposed that a re-branding exercise should be suspended. According to James Wilson, Phoenix believed that the Company needed to undertake serious pricing trials and that competitor reactions and the CMA outcome would then determine the right strategy for the Group's funeral business. The Board agreed with many of these views, although it believed they were already being properly addressed in a considered manner and felt that, under the stewardship of Clive Whiley, the Company was making significant and rapid progress.
- However, Phoenix did not agree, because on 12 March 2020 (less than a month later), Gary Channon requested a meeting with Mike McCollum and Steve Whittern (then Chief Executive and Finance Director, respectively) at which he informed Mike McCollum and Steve Whittern that Phoenix had "lost confidence" in them and that it would therefore be seeking their removal from the Board. Gary Channon indicated that he would make Phoenix's position clear to the Board and that, should the Board not agree with these views, Phoenix was ready to exercise its voting rights to have them removed. The Board felt that the removal of both the CEO and CFO at the same time and without having identified replacements would have had a materially detrimental effect on the business and its operations, particularly as the impact of the COVID 19 pandemic at that time was only just emerging. On 3 April 2020, Mike McCollum (who had been with the Company for over 20 years) resigned from the Board, with Clive Whiley assuming the role of executive chairman. On the same day, the Company announced the decision of Jane Ashcroft, another non-executive director, to resign from the Board with immediate effect.
- In light of the developments in March 2020, the Board initiated a search for a suitable CEO candidate. Despite coming up with a short list of high calibre candidates, most of whom who were interviewed by Clive Whiley and the then independent non-executive directors, Phoenix rejected all of these candidates in December 2020, leading to the CEO search being suspended for the time being.
- In November 2020, Phoenix notified the Board that it believed the Board was not listening to Phoenix' views on strategic plans for the business and that the actions of the Board in relation to the various initiatives underway were taking far too long to reach a conclusion. As a consequence, Phoenix indicated that it had instructed lawyers to draw up papers to requisition a general meeting of Shareholders at which it would be looking to remove Steve Whittern, Richard Portman and Clive Whiley from the Board and make certain appointments in their place, including certain existing and former employees of Dignity. In at least one of these cases, Phoenix had not even established the willingness of its proposed alternatives to serve. The primary tenet of Phoenix's position seems to have been that further changes to the executive board were required in order for its vision of the

correct way forward for the Company to be progressed, even though it had at that point declined to share that vision with the Board.

- Faced with another threatened requisition of a general meeting, it fell to the then independent non-executive directors (Gillian Kent and Dean Moore) to determine the appropriate response. Their initial conclusions were that:
 - as the Board did not at that stage have details of Phoenix's fully worked-through views on strategy, it was not immediately obvious that there were, in fact, any major difference of opinion on the right strategy to be adopted.
 - although Phoenix's strength of feeling about the time being taken to develop a detailed strategy plan for the Group was unexpected, (given that the objective of completing the necessary work for this so as to allow a comprehensive plan to be published at the time of the announcement of the interim results in July 2021 had been discussed by the full Board and had been made public on a number of occasions), this was nevertheless something that could be re-assessed and steps could be taken to try and accelerate this.
 - however, the candidates proposed as replacements for the directors Phoenix was proposing to remove did not, on the face of it, have the requisite experience to fulfil the roles proposed, which would leave the Board weaker and less effective.
- The independent non-executive directors were keen to avoid the unnecessarily public and operationally disruptive consequences of a requisitioned general meeting and therefore, so as again to try and accommodate Phoenix's concerns, the Board invited Phoenix to enter into a collaborative process with the Group's senior management team, with a view to understanding the Phoenix view of strategy and then working with the benefit of Phoenix's views to formulate a strategy which could subsequently be put to the Board for approval on an accelerated timetable.
- On 14 December 2020, the Company announced that it would be working closely with Phoenix to formulate strategy plans for the Group and that Steve Whittern and Richard Portman would be resigning. It was also agreed (at Phoenix's suggestion and with the agreement of the remaining directors) that Andrew Judd should be appointed to the Board as an executive director.
- In light of Steve Whittern's resignation, Dean Moore agreed to step into the executive role of Interim Finance Director, pending the identification of a suitable longer-term candidate for the role. Paul Humphreys joined the Board as an additional non-executive director and chair of the Audit Committee on 23 February 2021, given that Dean Moore could no longer fulfil that role.

The apparent catalyst for the Requisition Notice

The collaborative approach to the development of strategy plans for the Group with Phoenix, which has now run for close to three months, has been very extensive, involving half a dozen or so members of the Phoenix team (led by Gary Channon) interacting on a daily basis with close to 40 members of the Group's senior management team. In the view of the Independent Directors, very considerable progress has been made and there is no doubt that the Company has benefited to some degree from the input of Phoenix in this respect. However, the working style of Phoenix (and Gary Channon in particular) has been far from easy for certain members of the executive management team to adapt to and it must be remembered that the team has already been operating in unique and very challenging circumstances. These have included contending with the impact of the COVID-19 pandemic, adapting to the regulatory considerations arising from both the CMA's report on the funeral sector and the FCA's recently published plans for a new regulatory framework for the pre-need industry, as well as responding to the cessation of the previously announced transformation plan and the implementation of the subsequent root and branch review.

That good progress on the Group's strategy plans was being made, to the point where it was expected final plans might be approved by the Board ahead of the timescale previously indicated to the market (although the

FCA's announcement of its plans for pre-need will inevitably result in additional work being needed to assess this fully and reflect it in strategy plans), is a huge testament to the efforts of the senior management team across the Group. Clive Whiley's role as executive chairman in co-ordinating this should not be underestimated, not least given he was also the subject of the threatened requisition by Phoenix in November of 2020.

Against this backdrop, the Independent Directors were shocked to receive yet another threat to requisition a shareholder meeting, this time to remove Clive Whiley and replace him with Gary Channon. The decision of Phoenix to carry through with that threat, notwithstanding strong representations by the Independent Directors to Phoenix that this was an unnecessary step which would be damaging to staff morale and the business as a whole, is (in the view of the Independent Directors) extraordinary.

Based on what the Independent Directors have observed, it seems there have been two primary catalysts for Phoenix's latest precipitous action:

- At a board meeting on 5 March 2021, there were detailed discussions relating to the approach of the Company to its pre-need business. In the run up to the board meeting, Phoenix (as part of its engagement on strategy) had challenged the Company's approach to this. The Board listened carefully to the concerns raised and spent a significant amount of time and energy working with Phoenix to explain the rationale for its approach, taking into account the newly announced FCA plans for new regulation in this area of the business. There is no doubt that the new regulation is going to have an impact which needs to be carefully and methodically assessed. However, during the whole period of debate with Phoenix on this issue, Gary Channon adopted an aggressive and disparaging attitude to anyone who held differing views to his own. Notwithstanding that Phoenix agreed that this was a matter that should ultimately be a board decision and notwithstanding the fulsome debate on the matter, the fact that the Board ultimately reached a conclusion which Gary Channon disagrees with has led to Phoenix now maintaining that it was being 'ignored'.
- Also in early March 2021, the Company received an unsolicited approach from a third party expressing an interest in acquiring the Group's Crematoria business. The Board gave full and proper consideration to this approach, but ultimately concluded that it seriously undervalued that division and that it would not therefore be in the best interests of the Company or its Shareholders to pursue it. The Board was in a position to assess this third-party expression of interest swiftly, in part because (at the behest of Clive Whiley), steps had been taken to seek an independent valuation of the Crematoria division in May 2020. This exercise had been undertaken as a defensive measure because, at that time the Board believed the Company was vulnerable to an unwanted approach, given the collapse in its share price and the unknown outcome of the CMA investigation and it was therefore essential to be well prepared to mount a bid defence, if needed. It was also considered important for the Board to have an up to date view of the value of assets within the business, for the purposes of the wider strategy review, given that it is incumbent on the Board to consider all possible avenues for maximising value for the benefit of Shareholders as a whole. In this context, considerable work has been done, not just on the valuation of the Crematoria division as a stand-alone business, but also on other elements of the business and in the context of the various potential strategies currently under consideration. Although the seeking of a valuation of the Crematoria business in 2020 was referred to in Board (and therefore presumably known to Phoenix, given the presence of James Wilson on the Board), Gary Channon claimed its existence only came to his attention at the time of the unsolicited approach in March 2021. Whilst Phoenix has since confirmed that it concurs with the decision of the Board to dismiss the third party expression of interest, Gary Channon appears to have taken exception to not being consulted on the commissioning of a valuation (on the basis that Phoenix would have been well-qualified to express a view on any such valuation). Against this backdrop, Gary Channon has questioned the timing of the third party expression of interest, implying that Clive Whiley may have been, in some way, complicit in it and that Clive Whiley's actions may be being driven more by a desire to sell the Crematoria business for short term gain than to protect the longer-term interests of Shareholders. The Independent Directors' view is that, by definition, any valuation of this nature needed to be undertaken independently of Phoenix, given its position as a significant Shareholder. The Independent Directors are further of the view that, under

the stewardship of Clive Whiley, the Board has been acting in the interests of Shareholders as a whole by properly assessing all potential strategies for the Group.

At the time the Company agreed to collaborate with Phoenix on strategy development in December 2020, it was agreed that if Phoenix had any concerns about how the process was running and these could not be resolved between Phoenix and the executive management team, then these should be raised in the first instance with Gillian Kent and Dean Moore. When Phoenix revealed its latest threat to requisition a general meeting, all three of the Independent Directors met with Phoenix in the expectation that any particular concerns could be discussed and resolved in the manner previously agreed by both parties. However, it became immediately apparent that there was no willingness on the part of Phoenix to try to find an alternative solution. The Independent Directors were presented with an ultimatum that Phoenix would call a general meeting to replace Clive Whiley with Gary Channon unless the Independent Directors voluntarily agreed to effect that change. This, in the view of the Independent Directors, is a clear attempt to obtain effective executive control of the Board (and thereby the Company) regardless of the views of the Independent Directors.

The Independent Directors implored Phoenix to seek to resolve the situation privately rather than call a general meeting at a time when the Group is still in the midst of a global pandemic and also asked it not to risk throwing away the chance of reaching a conclusion on a mutually acceptable strategy plan that Phoenix has so desperately wanted and which the Board was driving towards. Phoenix was even offered the opportunity to appoint Gary Channon as a Director in place of its current representative, James Wilson, if the concern was that Gary Channon's views were not being properly heard.

The fact that Phoenix declined to even discuss these initiatives is, in the view of the Independent Directors, at the same time both shocking and reckless behaviour by a shareholder which appears to be unable to see beyond its own wishes. They consider it to be a completely destructive and disproportionate response, which has little (if any) regard to the interests of the Company and its many other stakeholders, not least the interests of the other 70% of Shareholders on the register.

Why the Independent Directors have concluded the Resolutions are not in the best interests of the Company, its Shareholders as a whole and other stakeholders

The Independent Directors strongly believe that Shareholders should vote against the Resolutions for two primary reasons:

Phoenix is acting in its own interests and is seeking executive control of the Company

The evidence has led the Independent Directors to conclude that Phoenix, despite the statements to the contrary in the Phoenix Statement, is seeking to exert executive control over the Board (and therefore the Company) without paying a bid premium and has shown itself to be willing to act in a manner which does not respect the corporate governance requirements applicable to public companies.

In particular:

- The Independent Directors can have no confidence in the statement in the Phoenix Statement that "the independent directors will always have the final say on important decisions". The Independent Directors have expressed strongly to Phoenix on numerous occasions that they do not consider the requisitioning of a shareholder meeting to effect board changes to be in the best interest of the Company or its Shareholders as a whole. Having had their views on this vital decision totally disregarded, there is no reason to suppose the Independent Directors will be allowed to hold sway on decisions put forward by an executive team led by Gary Channon.
- The other statements made in the Phoenix Statement which seek to persuade Shareholders that Phoenix is not seeking (and will not seek) control can be of limited real value and comfort to other Shareholders, in that:

- The proposal that James Wilson of Phoenix will step down as a non-executive director of Dignity thereby maintaining a single Phoenix representative on the board of the Company and the pledge that Phoenix will never have more than one board member needs to be considered in context. The Independent Directors offered the opportunity for Gary Channon to replace James Wilson on the Board anyway and this was declined, implying it is executive control Gary Channon is seeking. In any event, in observing the interaction between James Wilson and Gary Channon, the Independent Directors have formed the view that Gary Channon's views tend to prevail anyway. Accordingly, if Gary Channon is appointed as an executive director in place of Clive Whiley, it is clear that he intends to be in control of the executive function of the Board (and thereby have day to day control).
- The commitment that Phoenix will not seek to increase its equity participation in the Company has no real meaning, given that (as an existing 29.9% Shareholder) it would not be able to acquire further shares in the Company without making a mandatory offer for the Company in any event. That commitment is also qualified in the event that a third party makes an offer for the Company and it is only valid for so long as Gary Channon remains on the Board. In any event, should the Resolutions be approved, Phoenix would have no need to increase its stake, as it would have effective executive control.
- The commitment from Phoenix to put Gary Channon up for re-election at future Annual General Meetings of the Company is of limited value, particularly where Phoenix will (if the Resolutions are approved) already have effective executive control. The re-election of directors annually is a requirement of the UK Corporate Governance Code in any event and, with a shareholding of around 30%, Phoenix will always be in a disproportionate position when it comes to influencing the voting outcome on such resolutions.
- The decision of Phoenix and Gary Channon to requisition a general meeting appears in part to have been a reaction to the Board having followed due corporate governance in discussing and considering appropriately all issues raised by Phoenix in respect of the Group's pre-need business, but thereafter reaching a conclusion with which Phoenix does not agree. This behaviour is (in the view of the Independent Directors) indicative of a desire to assert executive control.
- Should the Resolutions put forward in the Requisition Notice be approved, the effect will be to leave Phoenix in a position of executive control and move the Company further away from having a balanced and effective board capable of meeting the core UK corporate governance requirements for a listed company of the size and nature of Dignity. This is something the Board has been striving to address over many months, but has been constantly hamstrung by Phoenix's interventions.
- During the course of the discussions with Phoenix and Gary Channon, the Independent Directors have become aware of the fact that during the second quarter of 2020, at a time when the Group was on the back foot, contending with (amongst other things) the pandemic, board changes, the pausing of the transformation plan, and adverse press comment (with the consequence that the share price was significantly depressed), Phoenix was actually preparing a formal bid for the Company (notwithstanding that James Wilson remained a Board member throughout). The Independent Directors are of the view that, given the comparatively low share price at the time, the logical conclusion to reach is that had such an offer been made, it would have been made at a relatively low price and would therefore have been opportunistic. No formal bid was received from Phoenix and the Independent Directors have concluded that this is most likely to have been because the Company's share price began to recover following the announcements of the Group's interim results for the 26 week period ended 26 June 2020 and the CMA's provisional decision report announced on 29 April and 13 August, respectively.

Gary Channon is not suitable as a replacement for Clive Whiley

In the course of their dealings with Gary Channon, the Independent Directors have had the opportunity to assess his suitability as a replacement for Clive Whiley. All of the evidence has led the Independent Directors to conclude that, quite aside from the fact that appointing the principal of a major shareholder to take executive

leadership of the Company would be contrary to the principles of good corporate governance, he would lack the skills and judgement required for the role. This conclusion has been reached for a number of reasons including the following:

- Despite statements to the effect that he is respectful of the Board as the decision makers, Gary Channon has shown himself to be intolerant of any views of directors that do not coincide with his own and has a record of threatening to remove directors when he doesn't get his own way. The Independent Directors do not believe that these characteristics lend themselves well to someone seeking responsibility for the executive function of the Company.
- The Independent Directors are also concerned about Gary Channon's ability to foster an empowered thriving culture within the senior leadership team of the Group immediately below the Board level. Since his appointment, Clive Whiley has been working hard to build a more diverse and inclusive culture within the senior leadership team, seeking to transform the culture from one of command and control (resulting in a siloed mentality) to a culture of participation and empowerment. However, in his dealings with members of the Group's executive management team throughout the collaboration process, the Independent Directors have at various times observed Gary Channon to be disrespectful of those members of the senior management team voicing opinions different to his own. Concerns expressed by members of the executive management team about Gary Channon's management style have led the Independent Directors to believe that replacing Clive Whiley with Gary Channon is likely to create an environment of fear and submission which, in their view, would be a retrograde step.
- The Independent Directors have real concerns about Gary Channon's judgement. They believe that, by insisting on pressing ahead with the Requisition Notice at this time and thereby putting his own interest and those of Phoenix ahead of the Company and its Shareholders as a whole, despite the firm opposition of the Independent Directors, Gary Channon has acted irresponsibly and demonstrated alarmingly poor judgment and decision making. The Independent Directors have serious concerns that this poor judgement might be replicated in fulfilling his duties as an executive director, should Gary Channon be appointed as a replacement for Clive Whiley.
- The Independent Directors' concerns about lack of judgment are compounded by concerns that Gary Channon demonstrably has limited (if any) experience of leading the executive function of a plc board for a company of the size and scale of Dignity. The skills required for this are, in the opinion of the Independent Directors, vastly different to those Gary Channon might possess as the founder and chief investment officer of Phoenix.

Based on feedback from some members of the senior management team who have had dealings with Gary Channon, the Independent Directors believe there to be a significant "flight risk" of key talent leaving the Company should the Resolutions be passed and Gary Channon appointed. The Independent Directors believe that Gary Channon has underestimated the support and respect that Clive Whiley has in the business whilst at the same time misjudging the level of support that he would have, should he be appointed to replace Clive Whiley.

In the opinion of the Independent Directors, it would be totally irresponsible of the Board to destabilise the Group by replacing Clive Whiley, who was placed into the business with shareholder support, who is in the final stages of the root and branch review of the business, who has successfully led the organisation through the pandemic, the CMA review, numerous changes in leadership instigated by Phoenix, who is preparing Pre-Need for its forthcoming regulation by the FCA, and who has the support of the operating board and the organisation as a whole with an individual who the Independent Directors believe not to be sufficiently well-qualified to fulfil the role as effectively.

Intentions of the Independent Directors in the event that the Resolutions are passed

Each of the Independent Directors has reluctantly formed the view that, should the Resolutions be passed, they would have no option but to resign their positions, as they cannot see a way in which they could effectively fulfil their respective roles with Gary Channon appointed as a replacement for Clive Whiley.

The Independent Directors have not formed this view lightly, as they each recognise that their resignations would further consolidate control of the Board (and therefore the Company) in the hands of Phoenix and leave the Company without a finance director or any non-executive directors in the short term.

The choice facing Shareholders

The Independent Directors believe that Shareholders are faced with a stark choice – to hand over effective executive control of the Company to Phoenix, under the guidance of someone who is (in their view) ill-equipped to fulfil that role, or to allow Clive Whiley to conclude the job he was appointed to do, answering to a properly functioning Board acting in the best interests of Shareholders as a whole.

Should Shareholders choose to reject the Resolutions, the Independent Directors recognise that Shareholders may nevertheless have concerns about the ability of Phoenix to disrupt the Board's effective operation. In this context:

- Phoenix has questioned the commitment of Clive Whiley to his current role by pointing to the expiry of his fixed term appointment on 27 September 2021 and seeking to argue that as a result of this, he is driven by his own short term objectives rather than the longer term interest of Shareholders. The Independent Directors are satisfied that this is simply not the case and have the agreement in principle from Clive Whiley that he would be happy to extend his term until the job at hand is concluded to the satisfaction of the Board, should this not be achieved by the end of his current term.
- The Independent Directors believe that if Shareholders support the current Board and vote down the Resolutions, although the Board should continue to have regard to the views of Phoenix for so long as it continues as a Shareholder, it would no longer be appropriate for it to have representation on the Board. The Independent Directors would therefore seek to exercise the powers under the Company's articles to remove James Wilson from the Board and would thereafter treat Phoenix on an arms' length basis, and in the same manner as with all other Shareholders.

Details of the General Meeting

Set out in Part 3 of the Circular is a notice convening a General Meeting of the Company to be held at the Company's registered office, 4 King Edwards Court, King Edwards Square, Sutton Coldfield, West Midlands B73 6AP at 11.00 a.m. on 22 April 2021, where the following resolutions will be proposed:

Resolution 1

This is an ordinary resolution and is being proposed to remove Clive Whiley as a director of the Company with immediate effect.

Resolution 2

This is an ordinary resolution and is being proposed to appoint Gary Channon as an executive director of the Company. It is expressed to be conditional on the passing of the Resolution to remove Clive Whiley as a director.

Although the Requisition Notice does not specify in what capacity Gary Channon is to be appointed (other than as an executive director), the Phoenix Statement makes it clear that Phoenix views him as a replacement for Clive Whiley.

The chairperson of the General Meeting (which it is anticipated will be one of the Independent Directors) will direct that voting on both of the Resolutions set out in the Notice of General Meeting will take place by way of a poll, so as to ensure that all proxy votes are taken into account.

Action to be taken by Shareholders

The Board takes the well-being of its employees, customers and Shareholders very seriously. Given the UK Government's current guidance on social distancing and prohibition on non-essential travel and public gatherings in place at the date of this Notice, we regret that it will not be possible for Shareholders to attend the General Meeting in person.

In order to reduce the risk of infection we are asking Shareholders not to seek to attend the General Meeting in person and any Shareholder who seeks to do so will not be admitted. The Company is taking these precautionary measures to safeguard its Shareholders', stakeholders' and employees' health and make the General Meeting as safe and efficient as possible.

It is currently contemplated that two of the Independent Directors (one of whom will act as chairperson), together with the Company Secretary and a small number of personnel supporting the logistics of the meeting (including the Company's Registrars, EQ, which will act as scrutineer for the poll) will attend the meeting in person. No other directors or members of the executive management team will attend and social distancing measures will be in place in order to comply with current requirements.

We therefore strongly encourage Shareholders to vote on all Resolutions in advance of the General Meeting, either by completing and the returning the accompanying Form of Proxy in the manner set out below or by completing an online proxy appointment form, in each case appointing the Chairperson of the meeting as your proxy to vote according to your wishes, The Independent Directors unanimously recommend all Shareholders to VOTE AGAINST the Resolutions.

Shareholders are also being given the opportunity to participate in the General Meeting via a conference call and ask questions during the meeting, should they so wish. Any Shareholder wishing to participate in the General Meeting in this manner must notify the Company of their desire to do so by email to DignityGM@buchanan.uk.com by no later than 11.00 a.m. on 20 April 2021. After this time, but before the time of the General Meeting, details of how to log into the conference call will be emailed to Shareholders who have validly asked to participate.

It should be noted, however, that it will not be possible for Shareholders to cast their votes on the Resolutions via this facility and the Company cannot be responsible for any technical failures of the conference call facilities that may arise, resulting in a Shareholder not being able to participate in the manner intended.

In view of this (and to be sure their votes count), all Shareholders are strongly urged to cast their votes using the proxy procedures referred to below, whether or not they intend to participate in the General Meeting via the conference call.

How do I vote?

Given that the UK Government's current restrictions mean that neither you nor any person you might appoint other than the chairperson of the meeting will be able to attend the meeting in person, you are strongly encouraged to appoint the Chairperson of the meeting as your proxy. Shareholders can register their votes and the appointment of the Chairperson of the meeting as their proxy in the following ways:

1. by completing the Form of Proxy sent to you with this document, and returning it to the Company's registrars; or
2. electronically, by logging on to the website www.sharevote.co.uk. You will need your voting reference numbers (the voting ID, Task ID and shareholder reference number shown on your form of proxy). Alternatively, if you have registered for a Shareview portfolio, please access the EQ shareview website at www.shareview.co.uk and log onto your portfolio using your usual user ID and password. Once logged in simply click "View" on the "My Investments" page, click on the link to vote then follow the on-screen instructions; or
3. (if you are a CREST member) using the CREST electronic proxy appointment service.

Your proxy appointment must be received by 11.00 a.m. on 20 April 2021. Further details are set out in the notes to the Notice of General Meeting set out in Part 3 of the Circular. Forms of Proxy should be returned so as to be received by the Company's registrars, EQ, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA as soon as possible and in any event no later than 11.00 a.m. on 20 April 2021, being 48 hours before the time appointed for the General Meeting.

Shareholders are encouraged to submit their voting instructions and Form of Proxy as soon as possible, even if they might intend to participate in the General Meeting via the proposed conference call, as they will not be able to cast their votes via that facility.

The Independent Directors will keep the situation under review and may need to make further changes to the arrangements relating to the General Meeting, including how it is conducted, and shareholders should therefore continue to monitor the Company's website and announcements for any updates.

The Independent Directors consider that the steps set out above are necessary and appropriate ones to take, given the current Covid-19 pandemic. The Independent Directors would like to thank Shareholders for their understanding in these exceptional times.

Recommendation of the Independent Directors

The Independent Directors consider that the Resolutions to remove Clive Whiley and replace him with Gary Channon are not in the best interest of Shareholders as a whole and would indeed be detrimental to the interests of Company's Shareholders as a whole and other stakeholders.

The Independent Directors have reached the conclusion (through the actions and behaviours of Phoenix and Gary Channon) that Phoenix is, in effect, seeking to exert executive control over the Board (and thereby the Company) notwithstanding its position as a minority shareholder. Furthermore, through his conduct, the Independent Directors have formed the view that Gary Channon would not be able to divorce the interest of Phoenix from the interests of other Shareholders and stakeholders and is therefore an unsuitable candidate for the role of an executive director.

Shareholders should note that should Resolution 1 be passed, but Resolution 2 fail, this would leave the Company without an executive chairman or chief executive officer in the short term. The Independent Directors do not consider this to be in the best interests of Shareholders as a whole.

The Independent Directors strongly believe that Clive Whiley should be retained to conclude on the job that he was recruited to do and therefore unanimously recommend that you VOTE AGAINST both of the Resolutions.

Yours faithfully,

Gillian Kent

Dean Moore

Paul Humphreys

Independent Directors

Appendix 3 - Definitions

"Act"	the Companies Act 2006, as amended;
"CMA"	the Competition and Markets Authority;
"Company" or "Dignity"	Dignity plc;
"Directors" or "Board"	the directors or board of the Company for the time being (as the context requires, currently comprising those persons whose names are set out on page 7 of the Circular;

“FCA”	the Financial Conduct Authority;
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“General Meeting”	the general meeting of the Company convened for 11.00 a.m. on 22 April 2021, or any reconvened meeting following any adjournment thereof, notice of which is set out in the Notice of General Meeting;
“Group”	the Company and its subsidiaries;
“Independent Directors”	those of the Directors who are considered to be independent for the purposes of expressing the Board’s views on the Requisition Notice, being each of Gillian Kent, Dean Moore and Paul Humphreys;
“Notice of General Meeting”	the notice of the General Meeting which is set out In Part 3 of the Circular;
“Ordinary Shares”	ordinary shares of 12 48/143 pence each in the Company;
“Phoenix”	Phoenix UK Fund, acting by its investment manager, Phoenix Asset Management LLP;
“Phoenix Statement”	the statement set out in Part 1 of this document and required to be communicated to Shareholders in accordance with section 314 of the Act;
“Requisition Committee”	the committee of the Board constituted for the purposes of giving due consideration to the Requisition Notice and convening the General Meeting, comprising the Independent Directors and Clive Whiley;
“Requisition Notice”	the notice delivered on the Company by Phoenix on 10 March 2021 in accordance with section 303 of the Act, requiring the convening of the General Meeting for the purposes of considering the Resolutions;
“Resolutions”	the ordinary resolutions set out in the Notice of General Meeting;
“Shareholders”	holders of Ordinary Shares;