



NZX Regulation Decision

Evolve Education Group Limited (EVO)

Application for waiver from NZX Main Board Listing Rule
8.1.7

9 December 2016



Waiver from Main Board Listing Rule 8.1.7

Decision

1. Subject to the conditions set out in paragraph 2 below, and on the basis that the information provided by EVO is complete and accurate in all material respects, NZX Regulation (“**NZXR**”) grants EVO a waiver from NZX Main Board Listing Rule (“**Rule**”) 8.1.7 so that the Plan can confer the right to a change in the number of underlying Securities.
2. The waiver in paragraph 1 is provided on the conditions that:
 - a. the Plan is submitted to NZXR for approval under Rules 6.1.1 and 6.1.2(e); and
 - b. if it is necessary to make an adjustment to the number of underlying Securities of the Share Rights then:
 - i. EVO will provide NZXR with at least 10 Business Days’ notice prior to the adjustment that sets out:
 1. a description of the circumstances giving rise to the adjustment;
 2. the proposed adjustment to the Share Rights; and
 3. a copy of the advice from the independent party that the adjustment is fair and reasonable to EVO and its shareholders;
 - ii. the directors of EVO certify to NZXR that:
 1. they are satisfied with the advice from the independent party; and
 2. in their opinion, the proposed amendment to the Share Rights is fair and reasonable to EVO and its shareholders.
3. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not or ceases to be full and accurate in all material respects.
4. The Rules to which this decision relates are set out in Appendix Two to this decision.
5. Capitalised terms which have not been defined in this decision have the meanings given to them in the Rules.

Reasons

6. In coming to the decision to provide the waiver set out in paragraph 1 above, NZXR has considered that:
 - a. Rule 8.1.7 provides that an Option must not confer the right to change the exercise price or number of underlying Securities, unless such a change is made in accordance with the exceptions to that Rule, including certain provisions allowing an amendment to the number of underlying securities in relation to a Rights issue. The policy objective of Rule 8.1.7 is to ensure that Options may not be subsequently amended by the Issuer in a manner that is detrimental to the interests of the holders of other Equity Securities. The exceptions relating to Rights issues are to ensure that the terms of options are adjusted so that on the occurrence of Rights issues the relative rights and benefits of shareholders and Share Rights holders are maintained.



- b. Because there is no exercise price payable, Rule 8.1.7 is not well suited as a means of adjustment to Share Rights issued under the Plan. However the Plan provides for the exercise of a discretion by the Board designed to have a similar effect to the requirements of Rule 8.1.7 should any adjustments to the terms of the Share Rights change the number of underlying Securities.
- c. This waiver enables the terms of the Plan to permit the Board of EVO to make appropriate (discretionary) adjustments or alterations to the terms of the Share Rights as in the reasonable opinion of the Board are appropriate to ensure that, so far as is reasonably possible, Eligible Employees who participate in the Plan are not advantaged or disadvantaged as a result of the occurrence of certain circumstances which have an effect on a Share Right.
- d. No adjustment or alteration may be made to a Share Right if it would cause a breach of the Rules.
- e. The granting of this waiver will not have any material adverse effect on EVO's shareholders as the purpose and effect of the waiver is consistent with the purpose and effect of Rule 8.1.7, which is to ensure that changes in Share Rights do not prejudice shareholders.
- f. A purpose of the Plan is to add value to EVO and its shareholders through motivating Eligible Employees.

Confidentiality

- 7. EVO has requested that this waiver application and any decision be kept confidential until the Plan is announced by EVO.
- 8. In accordance with footnote 1 to Rule 1.11.2 NZXR grants EVOs request.



Appendix One

1. Evolve Education Group Limited ("**EVO**") is a Listed Issuer with ordinary shares quoted on the NZX Main Board. EVO intends to introduce the 'Evolve Education Group Performance Share Rights Plan' (the "**Plan**") for the issue of performance share rights ("**Share Rights**") to selected employees of EVO ("**Eligible Employees**").
2. Under the terms of the Plan, Eligible Employees will be granted Share Rights which, if exercised, will convert on a one for one basis into fully paid ordinary shares in EVO. The Share Rights are therefore Options as defined in Rule 1.6.1.
3. The Share Rights and the shares issued on the exercise of those Share Rights will be issued for no consideration.
4. Whether or not Share Rights issued under the Plan become exercisable, and the number of Share Rights that may become exercisable, depends on EVO meeting certain specified performance hurdles. The performance hurdles for the Share Rights relate to the gross total shareholder return ("**TSR**") achieved by EVO over the Performance Period, relative to the S&P/NZX 50 Index (the "**Index**").
5. The TSR of EVO will be calculated and compared against the median TSR of the Index over the Performance Period.
6. EVO must, at the completion of the relevant performance period, determine whether the TSR hurdles have been achieved upon the advice of an independent expert.
7. Share Rights that are able to be exercised, may be exercised during the 20 business days from the date that the Eligible Employee is notified that the Share Rights have become exercisable following the end of the relevant performance period. Any Share Right that is not exercisable will lapse.
8. The Plan provides that the Board may make such adjustments or alterations to the terms of Share Rights as in the reasonable opinion of the Board are appropriate to ensure that so far as is reasonably possible, Participants are not advantaged or disadvantaged as a result of the occurrence of certain events that would affect the Share Rights.



Appendix Two

8.1.7 An Option must not confer the right to a change in the exercise price or number of underlying Securities, except if that Option:

(a) was issued with the approval of holders of Quoted Equity Securities, then the exercise price or number of underlying Securities may change in accordance with the formula or provision contained in the terms of the Option if there is a Rights issue to the holders of the underlying Securities; or

(b) was not issued with the approval of holders of Quoted Securities and there is a Rights issue to the holders of the underlying Securities, then the exercise price of that Option may be reduced according to the formula set out as follows:

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