

# **Amendments and Waivers to the Standards of Business Ethics and Conduct**

## **Amendments**

None since the Board of Directors of Encompass Health Corporation (the “Company”) adopted the latest version of the Standards of Business Ethics and Conduct (the “Standards”) on May 4, 2018.

## **Waivers**

As previously disclosed, at the time of the Company’s acquisition of EHHI Holdings, Inc. (“EHHI”) on December 31, 2014, EHHI was party to a client service and license agreement (the “HCHB Agreement”) with Homecare Homebase, LLC (“HCHB”) for a home care management software product that includes multiple modules for collecting, storing, retrieving and disseminating home care patient health-related information by and on behalf of home health care agencies, point of care staff, physicians, patients and patient family members via hand-held mobile computing devices and desktop computers linked with a website hosted by HCHB. April Anthony, CEO of the Company’s home health and hospice segment, along with others created this software product and eventually sold it to HCHB. She currently owns more than 10% of HCHB and is that company’s chief executive officer. A term of the negotiated acquisition of EHHI was that Ms. Anthony be allowed to continue to dedicate a portion of her time to her duties with HCHB, which portion may not exceed that time commitment provided for in her pre-existing employment agreement with EHHI and may not materially interfere with her duties and responsibilities to the Company’s subsidiary going forward.

The HCHB Agreement continues until terminated by either party. Either party may terminate for a material breach or an insolvency event. The Company may terminate the HCHB Agreement for convenience upon 90-days' notice. Beginning on December 19, 2026, HCHB may terminate the HCHB Agreement for convenience upon two-years' notice.

Pursuant to the HCHB Agreement, the Company pays fees to HCHB based on, among other things, the software modules in use, the training programs, and the number of licensed users. The fees paid are not material to the Company.

The Company's board of directors reviewed and approved, as part of the acquisition negotiation and approval, the terms of the HCHB Agreement and Ms. Anthony's continuing employment with HCHB. The board found the terms of the HCHB Agreement to be at least as favorable as terms that could be obtained with an unaffiliated party on an arms-length basis.

On May 3, 2019, the board reviewed and approved an Innovation Project Development Agreement (the "IPDA") with HCHB, as a supplement to the HCHB Agreement, under the conflicts of interest provisions of the Standards. Under the IPDA, HCHB will develop a scheduling tool and license it to the Company as part of the existing HCHB software. A home health subsidiary of the Company will transfer to HCHB certain home health related technical and algorithmic data to aid development of the scheduling tool. In consideration of this transfer, the Company will receive a reduced licensing charge for the new scheduling tool and payments of royalty fees over the next seven years in the event HCHB licenses the scheduling tool to other providers. The value of the data and the licensing fees are not material to the Company.

The board concluded the IDPA provides for information and data services in the best interests of the Company's stockholders, which services are not readily available elsewhere, on terms at least as favorable as terms that could be obtained with an unaffiliated party on an arms-length basis.