

Dated 9 February 2017

TERMS OF REFERENCE – REMUNERATION  
COMMITTEE

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# UP GLOBAL SOURCING HOLDINGS PLC

## TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

### 1 CONSTITUTION

- 1.1 The remuneration committee (**Committee**) was constituted as a committee of the board of directors (**board**) of UP Global Sourcing Holdings plc (**Company**) at a full meeting of the board held on 9 February 2017 in accordance with the articles of association of the Company.
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the company secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

### 2 ROLE

- 2.1 The role of the Committee is to assist the board to fulfil its responsibility to shareholders to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance, having regard to statutory and regulatory requirements.
- 2.2 In particular the Committee shall consider:
- 2.2.1 remuneration policies, including base pay, long and short term incentives;
  - 2.2.2 remuneration practice and its cost to the Company;
  - 2.2.3 recruitment, service contracts and severance policies;
  - 2.2.4 pension and superannuation arrangements and other benefits; and
  - 2.2.5 the engagement and independence of external remuneration advisers.

### 3 DUTIES AND TERMS OF REFERENCE

- 3.1 The Committee shall carry out the following duties for the Company and its subsidiaries (**Group**) as appropriate:

#### 3.1.1 Remuneration policy

The Committee shall:

3.1.1.1 determine and agree with the board the policy for the remuneration and benefits of:

- (a) the chairman of the Company;
- (b) executive directors;
- (c) the company secretary; and
- (d) senior management (**senior executives**).

The remuneration of the senior independent director and non-executive directors of the board will be a matter for the chairman and the executive directors to be decided at a meeting of the board to be determined within the limits set in the Company's articles of association.

No director or senior manager shall be involved in any decisions as to their own remuneration.

3.1.2 In determining the remuneration policy, and particularly when determining annual salary increases for directors, consider:

- 3.1.2.1 all relevant legal and regulatory requirements;
- 3.1.2.2 the provisions and recommendations of the UK Corporate Governance Code (**Code**) and associated guidance;
- 3.1.2.3 an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration;
- 3.1.2.4 the need to promote the long-term success of the Company without paying more than is necessary, having regard to the views of shareholders and other stakeholders and ensuring that executive directors and senior executives are rewarded in a fair and responsible manner and are provided with appropriate incentives to encourage enhanced performance and are rewarded for their individual contributions;
- 3.1.2.5 the business strategy of the Company and the Group and how the policy reflects and supports the business strategy;
- 3.1.2.6 the Company's risk appetite and risk management strategy ensuring that the remuneration policy is aligned to the

Company's risk policies and systems and long term strategic goals;

3.1.2.7 remuneration trends and employment conditions across the Company and the Group;

3.1.2.8 whether executive directors should be required to hold a minimum number of shares for a further period after vesting or exercise, including a period after leaving the Company; and

3.1.2.9 the transparency of the performance-related elements, ensuring they are stretching and rigorously applied;

3.1.3 Review at least annually the on-going appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate.

3.1.4 Determine, within the terms of the agreed remuneration policy, the total remuneration package for the Company chairman and each element of the total individual remuneration package for each executive director and senior executives including:

3.1.4.1 base salary;

3.1.4.2 profit sharing and specific incentive remuneration schemes/arrangements;

3.1.4.3 participation in share option schemes and share ownership plans;

3.1.4.4 pension arrangements, including the level of contributions by the Company; and

3.1.4.5 other bonuses and benefits in cash or in kind.

Ensure, where relevant, that any payments made are permitted under the latest shareholder approved remuneration policy and, if not, that either a revised remuneration policy or the proposed payment is submitted for shareholder approval.

3.1.5 Engage in appropriate discussions as necessary with institutional investors on policy or any other aspects of remuneration.

## 3.2 **Share based remuneration**

The Committee shall:

- 3.2.1 recommend for approval by the board the design of, and determine the targets for, the operation of all long term incentive schemes, including all schemes involving the award of shares or the grant of options, in which executive directors and senior executives participate. For any such plans, determine each year whether the awards will be made, and if so, approve the levels of participation in such schemes by those individuals;
- 3.2.2 monitor and assess any performance conditions applicable to any long term incentive awards granted under any schemes adopted by the Company. Ensure that the performance conditions are fully explained and clearly linked to the enhancement of shareholder value;
- 3.2.3 design and invoke agreed safeguards, for example clawback, to protect against rewards for failure through appropriate risk management of incentive arrangements to ensure that any performance-related payments reflect actual achievements; and
- 3.2.4 ensure that all incentive arrangements are aligned to the Company's risk policies and systems and comply with the provisions set out in Schedule A of the Code.

### 3.3 **Bonus arrangements**

- 3.3.1 The Committee shall consider whether the directors and senior executives should be eligible for annual bonuses. Bonuses shall be used to reward a contribution to the business which exceeds the level expected.
- 3.3.2 The Committee shall, in relation to any bonus scheme operated by the Company, determine annual targets and key performance indicators for, and assess performance against targets and key performance indicators, by the Company, individual executive directors and other senior executives.

### 3.4 **Pensions**

The Committee shall review the pension arrangements for the executive directors and senior executives and in particular the pension consequences and associated costs to the Company of basic salary increases and any other changes in pension remuneration.

### 3.5 **Remuneration consultants**

The Committee shall:

- 3.5.1 to help it fulfil its obligations and to enable it to judge where to position the Company relative to other companies, have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary, at the expense of the Company but within any budgetary restraints imposed by the board; and
- 3.5.2 be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee.

### **3.6 Service contracts and severance**

The Committee shall:

- 3.6.1 approve the terms of the service contracts, the duration of which shall not normally exceed one year's notice period, for executive directors and senior executives and any material amendments to those contracts;
- 3.6.2 determine the policy for, and scope of, termination payments and compensation commitments for each executive director and senior executive. Ensure that there is a clear policy to link non-contractual payments to performance; and
- 3.6.3 ensure that contractual terms on termination, and any payments made, are fair to the individual and the Company and in accordance with legal and regulatory requirements, that failure is not rewarded and that the duty to mitigate loss is fully recognised.

### **3.7 Shareholder approval**

The Committee shall:

- 3.7.1 report annually to shareholders on matters relating to executive remuneration. In preparing the report, the Committee shall include:
  - 3.7.1.1 an annual statement by the Committee's chairman;
  - 3.7.1.2 the directors' remuneration policy; and
  - 3.7.1.3 an annual report on directors' remuneration.

The directors' remuneration policy and the annual report on directors' remuneration should include the information required to be disclosed by the Companies Act 2006 (including any regulations made under that Act), the Code, the Listing Rules (as published by the Financial Conduct Authority) (**Listing Rules**) and any other relevant statutory, regulatory or governance codes.

3.7.2 submit the directors' remuneration policy for approval on a binding basis by the board and shareholders:

3.7.2.1 every three years;

3.7.2.2 in any year in which there is a change to the policy;

3.7.2.3 if shareholder approval was not obtained when last submitted; and

3.7.2.4 if majority shareholder approval was not achieved on the last submitted annual remuneration report;

3.7.3 submit the annual report on directors' remuneration for approval on an advisory basis by the board and shareholders annually.

### 3.8 **Other matters**

The Committee shall:

3.8.1 monitor and review the level and structure of remuneration of senior management in the context of the pay policy of the Group as a whole, pay and conditions elsewhere in the Group, and the overall cost to shareholders;

3.8.2 keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;

3.8.3 oversee any major changes in remuneration and employee benefits structures throughout the Company and the Group;

3.8.4 agree the policy for authorising claims for expenses from the directors;

3.8.5 decide on any ex-gratia payments to be made and benefits granted to directors and senior executives and their surviving spouses;

- 3.8.6 subject to delegation of authority by the board, determine whether the disclosure of any information on performance conditions would be commercially sensitive;
- 3.8.7 exercise any discretion or judgment on remuneration issues in accordance with the remuneration policy;
- 3.8.8 consider such other matters as are referred to the Committee by the board; and
- 3.8.9 work and liaise as necessary with all other board committees.

#### 4 **MEMBERSHIP**

- 4.1 The Committee shall comprise a chairman and a minimum of two members. Each Committee member shall be an independent non-executive director as determined by the board (in accordance with the principles of the Code). The chairman of the board may also be a member, but not chair, of the Committee if he or she was considered independent on appointment as chairman. If any member of the Committee is deemed not to be independent, then the board shall provide an explanation as to why they consider it appropriate for such director to be a member of the Committee.
- 4.2 The board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chairman. It is recognised that the number of members may fall below two for temporary periods due to departures pending new appointments.
- 4.3 The chairman of the board may be a member of the Committee if he or she was considered to be independent on appointment as chairman. The chairman of the board shall not chair the Committee.
- 4.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 4.5 The board shall appoint the chairman of the Committee from among the independent non-executive directors and shall determine the period for which the chairman of the Committee will hold office. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.
- 4.6 The Committee chairman shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

- 4.7 The company secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

## **5 ATTENDANCE AT MEETINGS**

- 5.1 The Committee shall meet at least two times a year and otherwise as required.
- 5.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief executive, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary and with the agreement of the Committee chairman. The Committee chairman shall have the discretion to decide who, other than Committee members, shall attend and address Committee meetings.
- 5.3 No person (including directors and the chairman) of the Company shall participate at a meeting of the Committee (or during a relevant part) at which any part of their remuneration is being directly discussed or participate in any recommendation or decision specifically concerning their remuneration.
- 5.4 Through the chairman of the board, the Committee shall ensure that the Company (whether through the Committee or otherwise) maintains contact as required with its principal shareholders about remuneration.
- 5.5 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.6 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

## **6 NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chairman or any member of the Committee.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chairman.

## **7 QUORUM**

- 7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members, present in person or by audio or video conference. If there is difficulty in achieving a quorum, independent non-executive directors, who are not members of the Committee, may be co-opted as members for individual meetings.
- 7.2 A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## **8 VOTING ARRANGEMENTS**

- 8.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 Except where he has a personal interest, the Committee chairman shall have a casting vote.
- 8.4 The Committee chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

## **9 MINUTES OF MEETINGS**

- 9.1 The company secretary (or his or her nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other board members unless in the opinion of the Committee chairman it would be inappropriate to do so.
- 9.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## 10 ANNUAL GENERAL MEETING

All Committee members shall attend the annual general meeting and the Committee chairman (or other appropriate member) shall be available to respond to any shareholder questions on the Committee's activities.

## 11 REPORTING RESPONSIBILITIES

The Committee shall:

- 11.1 report to the board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all meetings shall be available upon request;
- 11.2 make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed;
- 11.3 ensure that provisions regarding the public disclosure of information, including pensions, as set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Code, are fulfilled;
- 11.4 prepare a formal report for shareholders (as referred to in clause 3.7.1 above) to be included in the Company's annual report, which shall include:
  - 11.4.1 a statement from the Committee chairman providing a summary of the Company's remuneration policy and the annual report on remuneration;
  - 11.4.2 a report of the Company's remuneration policy and practices and the Committee shall ensure that it is put to shareholders for approval at each annual general meeting; and
  - 11.4.3 the Company's remuneration policy and the Committee shall ensure that it is put to shareholders for approval every three years (or such shorter period as may be required by the applicable legislation).
- 11.5 if the Committee has appointed remuneration consultants, identify in the annual report of the Company's remuneration policy, the name of the consultants and state whether they have any connection with the Company;
- 11.6 ensure, through the chairman of the board, that the Company maintains contact as required with its principal shareholders about remuneration; and
- 11.7 make available to shareholders these terms of reference by placing them on the Company's website.

## 12 GENERAL MATTERS

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary and management for assistance as required;
- 12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members. Any individual training to be discussed and agreed with the company secretary;
- 12.3 give due consideration to laws, regulations and any published guidelines or recommendations regarding the remuneration of directors of listed/non-listed companies and formation and operation of share schemes including but not limited to the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules and the UK Listing Authority's Prospectus and Disclosure Guidance and Transparency Rules as well as guidelines published by the Investment Association, the National Association of Pension Funds, the GC100 and any other applicable rules, as appropriate;
- 12.4 work and liaise as necessary with all other board committees; and
- 12.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

## 13 AUTHORITY

The board authorises the Committee to:

- 13.1 carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary;
- 13.2 seek any information it requires from any employee of the Company or any of the Company's subsidiaries to perform its duties;
- 13.3 secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;
- 13.4 call any employee to be questioned at a Committee meeting as and when required and all employees are directed to co-operate with any request made by the Committee; and

- 13.5 have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the board.

Adopted at the board meeting of the Company on 9 February 2017.