



**ULTIMATE PRODUCTS  
HOME OF BRANDS**

**UP GLOBAL SOURCING HOLDINGS PLC**

**DIRECTORS' REMUNERATION POLICY**

**15 December 2017**

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# Remuneration Policy

## 1. Introduction

UP Global Sourcing Holdings plc's ('Ultimate Products' or the 'Group') Executive Remuneration Policy is intended to enable the Group to attract, retain and motivate the Executive Directors and other senior executives necessary to achieve the Group's annual goals and long-term strategy and deliver sustainable shareholder value. The Ultimate Products Remuneration Committee (the 'Remuneration Committee') believes that:

- individuals should be properly rewarded where justified by the Group's financial performance and their personal contribution;
- the Group should pay no more than is necessary on remuneration;
- remuneration packages should be constructed so as to include stretching performance objectives linked to the long-term success and strategy of the Group; and
- remuneration structures should discourage the taking of excessive risk that is not aligned with the long-term interests of shareholders.

The Ultimate Products Executive Remuneration Policy (the 'Remuneration Policy') has been designed to comply with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the UK Listing Authority's Listing Rules. Due consideration has also been given to the recommendations of the UK Corporate Governance Code and to guidance provided by investors including the Investment Association's Principles of Remuneration.

Subject to shareholder approval, this Remuneration Policy will take effect from the 2017 Annual General Meeting and is intended to remain in place for three years. Once the Remuneration Policy is approved, the Group will only make remuneration payments to current or prospective Directors, or payments for loss of office if the payment is in line with the Remuneration Policy. If the Remuneration Committee wishes to change the Remuneration Policy within this period, or is required to do so, it will submit a revised Remuneration Policy to shareholders for approval.

## 2. Summary of Components of Executive Directors' Remuneration

### Fixed Remuneration: Salary

<b>Element, purpose and link to strategy</b>	To provide an appropriate amount of basic fixed income to enable the recruitment and retention of individuals who can facilitate the achievement of the Group's strategy.
<b>Operation</b>	<p>The Remuneration Committee reviews base salaries on an annual basis, taking into account:</p> <ul style="list-style-type: none"> <li>• absolute and relative Group profitability;</li> <li>• any changes to the scope of each role and its responsibilities;</li> <li>• any changes to the size and complexity of the Group;</li> <li>• salaries in comparable organisations;</li> <li>• pay increases elsewhere in the Group; and</li> <li>• the impact of any increases to base salary on the total remuneration package.</li> </ul>
<b>Maximum opportunity</b>	<p>The Remuneration Committee has set no overall maximum on salary increases, as it believes that this creates an anchoring effect for Executive Directors and other employees.</p> <p>In most circumstances, salary increases for Executive Directors will not exceed the average increase awarded to other employees in the Group. Increases above this level will only be granted in exceptional circumstances including (without limitation):</p> <ul style="list-style-type: none"> <li>• a material increase to the responsibilities attaching to a role;</li> <li>• a material increase in the scope of a role;</li> <li>• a promotion to a different role;</li> <li>• where a salary has fallen out of step with market norms; or</li> <li>• where an Executive Director has been recruited on a below-market salary and the Remuneration Committee is gradually transitioning that person to a market rate.</li> </ul>
<b>Performance measures</b>	None, although the Remuneration Committee takes into account individual performance, skills and experience when setting and reviewing salaries.

## Fixed Remuneration: Benefits

<p><b>Element, purpose and link to strategy</b></p>	<p>To provide market-competitive and cost-effective benefits to attract and retain suitable Executive Directors and where appropriate, assist an Executive Director in the performance of his or her duties.</p>
<p><b>Operation</b></p>	<p>The Group provides a range of benefits to its Executive Directors in line with market norms. These currently include the provision of a company car (or a car allowance), sick pay and private medical insurance for the Executive Director and his or her spouse and dependent children. Other than in respect of the Chief Executive Officer, for whom a life assurance policy is provided, the Group does not currently provide life assurance or permanent health insurance to Executive Directors. However, the Remuneration Committee notes that the provision of such benefits is common at comparable companies and if the Remuneration Committee in future determines that such provision is necessary to attract or retain suitable Executive Directors, then it may elect to provide these to one or more of the Executive Directors.</p> <p>The Group reimburses reasonable work-related expenses to Executive Directors, such as business travel and subsistence whilst on work trips.</p> <p>Any additional benefits provided to Executive Directors are reviewed by the Remuneration Committee and approved only if reasonable, in line with good market practice and obtainable at a proportionate cost.</p> <p>For Executive Directors based outside of the UK, the Remuneration Committee may consider providing additional allowances where this is in line with local market practice and expectations and is necessary in order to recruit or retain suitably skilled individuals.</p>
<p><b>Maximum opportunity</b></p>	<p>The maximum opportunity will depend upon the cost of providing the relevant benefits and individual's personal circumstances. The Remuneration Committee has full regard to the cost of providing any benefits and is committed to only providing benefits that are in line with market practice, cost-effective for the Group and appropriate to the requirements of a specific role or individual.</p>
<p><b>Performance measures</b></p>	<p>None.</p>

## Fixed Remuneration: Retirement Provision

<p><b>Element, purpose and link to strategy</b></p>	<p>To provide an income for Executive Directors in their retirement and enable the Group to recruit and retain suitable individuals by aligning their overall package with those offered by competitors for talent.</p>
<p><b>Operation</b></p>	<p>The Group operates a defined contribution pension plan in which the Executive Directors are eligible to participate and may provide contributions to the Executive Directors' personal pension arrangements or a cash allowance in lieu of pension contributions.</p>
<p><b>Maximum opportunity</b></p>	<p>The Executive Directors currently receive 12 % of salary as a contribution to their pension arrangements (or as an equivalent cash allowance).</p> <p>The Remuneration Committee notes market practice in this area and recognises that this level of contribution may at some stage become insufficient to recruit or retain the individuals required to implement its strategy and, although it has no current plans to increase the levels of contributions, the Remuneration Committee reserves the right to increase this to a level of no more than 20 % of salary under this Remuneration Policy should this be considered necessary and proportionate.</p>
<p><b>Performance measures</b></p>	<p>None.</p>

## Variable Remuneration: Annual Bonus Plan

<p><b>Element, purpose and link to strategy</b></p>	<p>To incentivise Executive Directors to deliver the Group’s corporate strategy by focusing on annual goals that are consistent with longer-term strategic objectives and rewarding the delivery of exceptional performance.</p>
<p><b>Operation</b></p>	<p>Annual bonus targets are reviewed and set on an annual basis to ensure that they:</p> <ul style="list-style-type: none"> <li>• align with the Group’s long-term strategy;</li> <li>• are focused on the Group’s immediate strategic priorities;</li> <li>• are appropriate given broader market conditions; and</li> <li>• remain stretching.</li> </ul> <p>Pay-out levels are determined by the Remuneration Committee after the year-end, based upon a rigorous assessment of performance against the targets.</p> <p>To further align the interests of Executive Directors with those of shareholders, bonuses will be paid 70 % in cash, with 30 % deferred into shares that vest in three equal tranches after one, two and three years.</p> <p>To hedge against share price increases and avoid dilution, the deferred element of the bonus is used to purchase shares in the market; these are then held by an employee benefit trust until vesting. The value of any dividends during the deferral period will be payable to the Executive Directors upon vesting.</p> <p>In exceptional circumstances, the Remuneration Committee may determine that the deferred element of the bonus is to be held as cash rather than shares, where the Remuneration Committee considers that such alternative arrangements would be in the best interests of the Group and its shareholders, for example, if the acquisition of further shares by an Executive Director would trigger a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers.</p> <p>Malus provisions apply for the duration of the performance period and to shares or cash held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards.</p> <p>Clawback provisions apply to cash amounts paid and shares or cash released for three years following payment or release (as the case may be), allowing the Remuneration Committee to claim back all or part of any amount paid or released.</p>
<p><b>Maximum opportunity</b></p>	<p>The maximum annual bonus opportunity that can be earned for any year is capped at 125 % of base salary in the case of the Chief Executive Officer and Managing Director and 100 % of base salary in the case of any other Executive Director.</p>

## Variable Remuneration: Annual Bonus Plan (*Continued*)

<b>Performance measures</b>	<p>An annual bonus opportunity of up to:</p> <ul style="list-style-type: none"><li>• 100 % of base salary in the case of the Chief Executive Officer and Managing Director; and</li><li>• 75 % in the case of any other Executive Director,</li></ul> <p>may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of an EBITDA-based target and such other financial target (if any) as the Remuneration Committee considers appropriate (subject always to an EBITDA underpin).</p> <p>An annual bonus opportunity of up to a further 25 % of base salary may be granted by the Remuneration Committee, such bonus to be conditional upon the achievement of stretching, specific and measurable strategic and/or individual objectives.</p> <p>Irrespective of the achievement of the strategic and/or personal targets, no part of the bonus shall be payable unless a threshold level of the EBITDA-based target is achieved.</p> <p>Achievement of the maximum level of vesting will require significant financial out-performance above the budget set for the year, with full vesting requiring performance 30 % above target EBITDA levels.</p> <p>The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the annual bonus plan, disclosing precise targets in advance would not generally be in the interests of the Group or its shareholders. Actual targets, performance levels achieved and the resulting payments made will therefore be disclosed, in most circumstances, retrospectively at the end of the performance period.</p> <p>Malus and/or clawback provisions may be triggered in the following scenarios:</p> <ul style="list-style-type: none"><li>• if the assessment of any performance condition was based upon error or inaccurate or misleading information;</li><li>• if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or</li><li>• in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.</li></ul>
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## Variable Remuneration: Performance Share Plan (PSP)

<p><b>Element, purpose and link to strategy</b></p>	<p>To incentivise Executive Directors to focus on the long-term strategic objectives of the Group and to deliver sustainable shareholder value, aligning their interests with the interests of shareholders.</p>
<p><b>Operation</b></p>	<p>Awards may be granted annually under the PSP and will consist of rights over shares, calculated as a percentage of base salary.</p> <p>Vesting is subject to the Group's performance, measured over three years and is followed by a holding period in respect of 40 % of the vested shares, of which one half are released after a one-year holding period and one half after a two-year holding period.</p> <p>Any shares purchased to satisfy PSP awards will be held by an employee benefit trust until vesting.</p> <p>Dividend equivalents are payable in respect of the shares that vest.</p> <p>Malus provisions apply for the duration of the performance period and shares held under the deferral arrangements, allowing the Remuneration Committee to reduce to zero any unvested or deferred awards.</p> <p>Clawback provisions apply until two years after the date upon which any entitlement becomes unconditional, allowing the Remuneration Committee to claim back all or part of the value of any shares vested.</p> <p>Awards may be structured as nil cost options, conditional awards of shares or may be delivered through a joint share ownership plan structure, as the Remuneration Committee considers being most appropriate in the circumstances.</p> <p>The principal terms of the PSP will be submitted for shareholder approval at the 2017 AGM.</p> <p>Senior employees who are not Executive Directors may be invited to participate in the PSP at the discretion of the Board.</p>
<p><b>Maximum opportunity</b></p>	<p>The maximum PSP award opportunity per Executive Director, in respect of any financial year, is limited to rights over shares with a market value at grant of 100 % of base salary.</p> <p>No Executive Director granted an award under the MIP (see below) may be granted an award under the PSP prior to 1 August 2018.</p>

## Variable Remuneration: Performance Share Plan (PSP) (Continued)

<b>Performance measures</b>	<p>The vesting of all awards made under the PSP is dependent upon performance conditions based upon:</p> <ul style="list-style-type: none"><li>• EPS growth (50 % weighting);</li><li>• gross profit margin (15 % weighting);</li><li>• leverage (net debt to underlying EBITDA ratio) (10 % weighting); and</li><li>• a maximum of two strategic or individual objectives (25 % weighting).</li></ul> <p>The Remuneration Committee believes the chosen metrics are suitably aligned with the Group's strategy and are focused on delivering long-term growth and shareholder return.</p> <p>25 % of an award vests for threshold performance. 100 % of an award vests for stretch performance. For performance between the threshold and maximum, an award vests on a straight-line basis.</p> <p>The Remuneration Committee is of the opinion that, given the commercial sensitivity of the detailed performance measures used for the PSP, disclosing precise targets for those conditions would often not be in the interests of the Group or its shareholders. Actual targets, performance levels achieved and the resulting payments made will therefore generally be disclosed retrospectively at the end of the performance period, unless the Remuneration Committee considers that any particular targets are not commercially sensitive.</p> <p>Malus and/or clawback provisions may be triggered in the following scenarios:</p> <ul style="list-style-type: none"><li>• if the assessment of any performance condition was based upon error or inaccurate or misleading information;</li><li>• if a material misstatement is discovered that results in the audited accounts of the Group being adjusted; or</li><li>• in the event of any action or conduct of a participant that amounts to fraud or gross misconduct.</li></ul>
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## Variable Remuneration: Management Incentive Plan (MIP) – (Existing Awards)

<b>Element, purpose and link to strategy</b>	To reward and incentivise key employees through the IPO process and motivate them to deliver successful post-IPO performance for investors.
<b>Operation</b>	<p>Awards under the MIP were made to the Executive Directors and other senior executives immediately prior to the IPO, as disclosed in the IPO prospectus.</p> <p>The Remuneration Committee is of the opinion that the MIP awards were an appropriate arrangement for the Group at the time of the IPO but the MIP is not an optimal arrangement for ongoing use and as such, no further awards will be made under the MIP.</p> <p>The awards made under the MIP will vest in 2020, with the first round of awards made under the PSP then vesting in 2021 (with a proportion of the shares subject to a holding period until 2022 and 2023). The Remuneration Committee believes that this timetable of staged vesting ensures continued incentivisation of Executive Directors and will aid retention after the MIP awards vest.</p>
<b>Maximum opportunity</b>	Holders of awards granted under the MIP are entitled, collectively, to 15 % of the Group's growth in value above a hurdle set at 30 % above Ultimate Products' IPO share price. The total aggregate value of the awards is capped at a value of 6.25 % of Ultimate Products' issued share capital on the date of the IPO.
<b>Performance measures</b>	None, other than Ultimate Products' share price growth exceeding the hurdle, as disclosed under the 'maximum opportunity' section of this table.

## Variable Remuneration: All-employee Share Plans

<b>Element, purpose and link to strategy</b>	To align the broader employee base with the interests of shareholders and aid recruitment and retention.
<b>Operation</b>	The Group does not currently operate any all-employee share plans such as SAYE or SIP. If in future the Group does operate such schemes, then Executive Directors would be entitled to participate on the same basis (and subject to the same maximums) as other Group employees.
<b>Maximum opportunity</b>	In line with HMRC limits in force from time to time.
<b>Performance measures</b>	None.

## Other: Shareholding Guidelines

<b>Element, purpose and link to strategy</b>	To create alignment between the Executive Directors' interests and those of shareholders.
<b>Operation</b>	The Remuneration Committee expects all Executive Directors, within a period of five years from appointment, to build up a meaningful shareholding in Ultimate Products.
<b>Maximum opportunity</b>	The Chief Executive Officer and the Managing Director will be required to build up interests in the Group's shares worth 250 % of base salary. All other Executive Directors will be required to build up interests in shares worth 125 % of base salary.
<b>Performance measures</b>	None.

## Illustrations of Application of Remuneration Policy

■ Fixed pay    
 ■ Annual bonus    
 ■ PSP

### Simon Showman



### Andrew Gossage



### Graham Screawn



### **3. Statement of Consideration of Employment Conditions Elsewhere in the Group**

In designing the Remuneration Policy and in making decisions in relation to the remuneration of Executive Directors pursuant to the Remuneration Policy, the Remuneration Committee has and will continue to take into account the remuneration of employees across the Group.

The Remuneration Committee and Executive Directors believe that the success of the Group in meeting its strategic objectives is highly dependent upon the talents and performance of the Group's wider employee base. The Group regularly reviews the remuneration of Group employees in a process led by the HR Director. In line with the policy of the Remuneration Committee towards the Executive Directors, the Group's policy is to set competitive pay levels that allow the Group to attract and retain the talent necessary to thrive, without paying more than is necessary in the markets in which it operates.

Whilst the Remuneration Committee does not have a formal process for directly consulting employees on the remuneration of Executive Directors, it does take full account of the pay, benefits and employment conditions of the wider workforce when setting the remuneration of Executive Directors. In particular, the Remuneration Committee has determined that in most circumstances, salary increases for Executive Directors should not exceed the average increase awarded to other employees in the Group. Increases above this level will only be granted in exceptional circumstances as set out in the policy table under Fixed Remuneration: Salary above.

#### **4. Statement of Consideration of Shareholders' Views**

The Remuneration Committee actively welcomes the input of shareholders in respect of its remuneration policies and decisions and is committed to engaging in an open and transparent dialogue with shareholders in relation to executive remuneration.

In developing the proposed Remuneration Policy, the Chairman of the Remuneration Committee sought the views and input of the Group's key shareholders and their representative bodies. The Remuneration Committee considered all views expressed by shareholders in refining and developing the Remuneration Policy and will continue to engage with shareholders in the year ahead.

During the consultation process, shareholders expressed a strong preference for the Committee to demonstrate transparency in all aspects of the operation of the Remuneration Policy, including the determination and assessment of performance conditions. The Committee agrees that such transparency is a legitimate interest of shareholders, and intends to provide maximum disclosure in all circumstances except where such disclosure would materially prejudice the interests of the Group.

As a recently listed company, Ultimate Products wishes to build a long-term, two-way relationship with its investors and will consider their views in all areas of its business, including on the remuneration of its key employees.

## 5. Recruitment Remuneration

The Remuneration Committee will determine the remuneration of new Executive Directors in accordance with this Remuneration Policy, taking into account the individual's skills, experience and current remuneration package, together with the responsibilities attaching to the role concerned.

Where the Remuneration Committee considers appropriate to offer a below-market salary initially, for example where a recruit's current remuneration package is considerably below the market norm for the role that they are being recruited to perform, a series of planned above-inflation, annual increases to reach a market salary may be used. Such increases may be made subject to Group and individual performance.

In some circumstances, to recruit individuals of an appropriate calibre, it may be necessary to buyout their variable remuneration arrangements, which would be forfeited due to leaving their previous employment. Where this is done, the Remuneration Committee will take into account the form of any such award, any performance conditions attaching to it (including the likelihood of such performance conditions being achieved) and the period of vesting.

Any buyout payments made will generally seek to reflect the structure and level of the award it replaces, as far as reasonably practicable. The Remuneration Committee will pay no more than is necessary to compensate such individuals for the awards they will be losing, taking into account anticipated vesting levels. The Remuneration Committee would normally impose clawback provisions on such recruitment awards made to Executive Directors, activated should such individual resign or be summarily dismissed within two years of joining the Group. Shareholders will be informed of any such payments at the time of recruitment along with the reasons for making such payments.

The maximum level of annual variable pay, which may be awarded to a new Executive Director, will be in line with the maximum amounts specified in the Annual Bonus Plan and PSP, as set out in the above, being a total of 225 % of salary. For the avoidance of doubt, this excludes the value of any buyout payments associated with forfeited awards.

The Remuneration Committee may approve the meeting of an Executive Director's reasonable and proportionate relocation expenses where this is considered appropriate in all the circumstances.

Where an Executive Director is recruited partway through a financial year, the individual may be invited to participate in the Annual Bonus Plan on a pro-rated basis in that first year and may be offered 'in-flight' PSP awards pro-rated on a suitable basis.

For the recruitment of an Executive Director in a non-UK jurisdiction, the Remuneration Committee may approve the payment of alternative or additional benefits and pension arrangement in line with local market practice. In some circumstances, the Remuneration Committee may agree to pay an expatriate allowance, reimbursement of advisers' fees and/or offer tax equalisation arrangements.

## 6. Service Agreements and Termination Payments

It is the Group's policy that Executive Directors' service agreements may be terminated by no more than one year's notice by the employer at any time and by payment of no more than one year's basic salary and other fixed benefits in lieu of notice by the employer.

Upon the termination of an Executive Director's employment, in addition to considering the terms of the individual's service agreement, the Remuneration Committee has the following policies:

- The Remuneration Committee shall be guided by the core principle of seeking an outcome that is in the best interests of the Group and its shareholders and shall take into account all of the circumstances of the termination.
- If the termination is as a result of death, illness, disability, redundancy, retirement or any other exceptional circumstance that the Remuneration Committee considers to be analogous to the foregoing (a 'Good Leaver Reason'), the Remuneration Committee shall consider making a payment to the Executive Director under the Annual Bonus Plan. This would normally be pro-rated for the period worked during the financial year and any amount of bonus deferred (whether held in shares or cash) will normally be released immediately.
- If the termination is as a result of anything other than a Good Leaver Reason, no payment will be made under the Annual Bonus Plan on cessation of employment of an Executive Director and any amount of bonus deferred (whether held in shares or cash) will normally not be released until the end of the usual deferral periods.
- If the termination is as a result of a Good Leaver Reason, PSP awards will normally vest at the normal vesting date, pro-rated for time served and remaining subject to the original performance conditions. Any shares held for the compulsory holding period (i.e. after the end of the performance period) will vest immediately;
- If the termination is as a result of anything other than a Good Leaver Reason, any PSP awards will lapse in full.
- In the event of a compromise or settlement agreement, the Remuneration Committee shall consider agreeing to reasonable payments in respect of the settlement of legal claims, including any compensation relating to the breach of the Executive Director's statutory or contractual rights and in respect of any reasonable professional fees incurred by the individual in relation to the agreement.

The service contracts of Executive Directors and the letters of appointment of Non-Executive Directors are available for inspection at the Group's registered office during normal business hours and will be available at the Annual General Meeting.

## 7. Change in Control

On a change in control, awards under the Group's incentive plans will generally vest but in most circumstances, such vesting will be subject to:

- i. the extent to which the Remuneration Committee considers that the performance conditions have been satisfied; and
- ii. time apportionment in accordance with the rules of each plan.

On a change in control, any shares held under compulsory deferral arrangements under the Annual Bonus Plan or PSP (i.e. after the end of any performance periods) shall normally vest in full.

## **8. Fees Retained for External Non-Executive Directorships**

The Remuneration Committee is of the view that Executive Directors can, in some circumstances, benefit by holding non-executive directorships in other companies.

The Remuneration Committee therefore permits such non-executive directorships and permits the Executive Directors to personally retain the fees from such non-executive directorships, providing that the Remuneration Committee's advance permission is sought and that such appointment does not conflict with the Director's duties and commitments to Ultimate Products.

## 9. Discretion

The Remuneration Committee has an element of discretion in several areas of the Remuneration Policy and has discretion in some areas under the rules of certain incentive plans. These discretions include:

- selecting participants for each plan and arrangement;
- determining the quantum of awards under each plan or arrangement, subject to the maximums stated in the policy table above;
- selecting the most suitable timing for granting awards and making payments;
- assessing the extent to which performance conditions have been satisfied and thereby the extent to which awards shall vest;
- setting the targets applicable to the various performance measures used in the Group's plans and arrangements;
- conducting an annual review of performance measures and the relative weightings thereof;
- determining whether a participant shall be considered to be a Good Leaver in exceptional circumstances, outside of the prescribed circumstances; and
- making necessary adjustments to any plan or arrangement in circumstances such as a rights issue, restructuring, special dividend or change of control (subject to the rules of the relevant plan or arrangement).

If an event occurs which means, in the opinion of the Remuneration Committee, that the performance conditions or associated targets are no longer an appropriate measure of the performance of the Group's business or its adherence to strategy then, in exceptional circumstances, the Remuneration Committee shall have the discretion to adjust, supplement or amend any performance condition or target, subject always that the adjusted, supplemental or amended performance condition must be not materially less difficult to satisfy. Other than in the case of minor or administrative changes, any such action would be taken only after consultation with the Group's major shareholders and would be disclosed in the subsequent Annual Report on Remuneration.

The Remuneration Committee has the discretion to amend the Remuneration Policy with regard to minor or administrative matters where, in the opinion of the Remuneration Committee, it would be disproportionate to seek or await shareholder approval for such amendment.

## 10. Legacy Agreements

In addition to payments provided for under this Remuneration Policy, the Remuneration Committee may authorise payments to honour commitments made prior to its adoption to any current or former Executive Directors.

Where appropriate, in the case of an internal promotion to an Executive Director position, the Remuneration Committee may make payments to such Executive Director in relation to terms agreed with them at a time when the relevant individual was not an Executive Director of the Group – providing that such payment was not in consideration for the individual becoming an Executive Director. Any such payments will only be made with a view to transitioning the Executive Director to terms compatible with this Remuneration Policy as soon as possible.

Details of any such payments will be included in each Annual Report on Remuneration.

## 11. Terms and Conditions of Non-Executive Directors

Non-Executive Directors are appointed for an initial period of three years and will stand for re-election at each AGM of Ultimate Products. Thereafter, the Board may invite them to serve for an additional period of three years, again subject to re-election at each AGM.

The fees paid to Non-Executive Directors are determined by the Board in light of independent surveys of fees paid to Non-Executive Directors of comparable companies and with regard to the time commitment and responsibilities involved. The Chairman is paid a single fee covering all of his responsibilities and other Non-Executive Directors receive a basic fee, with the Chairs of the Remuneration Committee and Audit and Risk Committees being paid additional fees to reflect their extra responsibilities.

Non-Executive Directors are entitled to be reimbursed for reasonable expenses, in relation to the performance of their duties and for any related tax liabilities that may arise.

The appointment of Non-Executive Directors is terminable by either party on one months' written notice. No compensation is payable upon termination of their appointment and they are not entitled to participate in the Group's share, bonus or pension arrangements. As a legacy arrangement, Barry Franks is entitled to receive private medical insurance for himself and his spouse; the Remuneration Committee does not intend to offer private medical insurance to any other current Non-Executive Director or to any Non-Executive Director recruited in future.