

ULTRA

ULTRA ELECTRONICS HOLDINGS PLC

Terms of Reference of the Remuneration Committee

(approved November 2018)

1. CONSTITUTION

The Board has resolved to establish a committee of the Board to be known as the Remuneration Committee (the "Committee").

2. MEMBERSHIP

2.1 The Committee shall comprise a minimum of three independent Non-Executive Directors of the Company. The Chairman of the Board may not chair the Committee. The Chairman of the Board may, if he or she was considered independent on appointment as Chairman, be an additional member of the Committee. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chairman of the Committee.

2.2 The Chairman of the Committee is appointed by the Board and will be an independent Non-Executive Director. In the absence of the Chairman of the Committee, members attending will elect another independent Non-Executive Director (other than the Chairman of the Board) to chair the meeting.

2.3 The Committee may sub-delegate any or all of its powers and authority as it sees fit to one or more of its members or the Company Secretary, including without limitation, the establishment of sub-committees which report back to the Committee.

2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director still meets the criteria for membership or as long as the member remains a Director.

3. SECRETARY

The Company Secretary or his or her nominee shall act as the secretary of the Committee (the "Committee Secretary") and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4. ATTENDANCE AT MEETINGS

4.1 A quorum is two members. No meeting may be convened unless all members of the Committee have received notice of the meeting. Whenever it is practicable, meetings should be arranged so that all Committee members can be present.

4.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Chief Executive, other Executive and Non-Executive Directors, senior management reporting to the Executive Directors (the "Executive Team") or external advisors may be invited to attend all or part of any meeting as and when deemed appropriate. The Committee shall take care to recognise and manage conflicts of interest when receiving views from Executive Directors or senior management or consulting with the Chief Executive about its proposals.

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- 4.3 No Director or Committee attendee may participate in any discussion or decision with regards to their own remuneration.
- 4.4 Meetings of the Committee may be conducted when the members are physically present together or in the form of a video or audio conference. A member dialling in to a physical Committee meeting via video or audio conference will be deemed to be in attendance.

5. FREQUENCY AND NOTICE OF MEETINGS

- 5.1 Meetings take place at least twice a year and otherwise as required.
- 5.2 Meetings shall be called by the Committee Secretary at the request of the Chairman of the Committee.
- 5.3 Unless otherwise agreed by all members of the Committee, 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, any other person required to attend and all other Non-Executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to attendees, as appropriate, at the same time.

6. MINUTES OF MEETINGS

- 6.1 The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.

7. ANNUAL GENERAL MEETING

The Committee Chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

8. ROLE AND RESPONSIBILITIES

The responsibilities of the Committee are to:

- 8.1 Formulate and recommend to the Board the remuneration policy for Executive Directors and Chairman of the Board. These decisions are taken with the benefit of relevant independent professional advice. Remuneration for Executive Directors is deemed to include all aspects of remuneration including, without limitation, salary, annual and long term bonus, benefits from share and share option schemes, benefits in kind, pension entitlements, shareownership guidelines and any compensation payments.

In setting the remuneration policy for Executive Directors, the Committee will:

- (i) consider all necessary relevant legal and regulatory requirements, including the provisions and recommendations of the UK Corporate Governance Code (the Code) and associated guidance;

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- (ii) have regard to the risk appetite of the Company and alignment to the Company's long term strategic goals; and
- (iii) review and have regard to pay and employment conditions across the Company, especially when determining annual salary increases.

The objective of the remuneration policy shall be to:

- (i) attract, retain and motivate employees of the quality required to run the Company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders; and
- (ii) promote the long-term success of the Company; and
- (iii) ensure that the performance-related elements of remuneration form a significant, yet appropriate proportion of the total remuneration package and are transparent, stretching and rigorously applied.

A sub-committee of the Executive Directors sets the fees of the Non-Executive Directors, within the limits set by the Articles of Association.

- 8.2 Review the on-going appropriateness and relevance of the remuneration policy.
- 8.3 Within the terms of the remuneration policy and in consultation with the Chairman and/or Chief Executive as appropriate, determine the total individual remuneration package of each Executive Director and the Chairman of the Board. The Chief Executive is responsible for determining the total individual remuneration package of each member of the Executive Team which shall be submitted to the Committee for agreement.
- 8.4 Consider 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.
- 8.5 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 where possible.
- 8.6 Monitor the level and structure of remuneration for the Executive Team.
- 8.7 Obtain reliable, up-to-date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations, the Committee shall 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.
- 8.8 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference of any external consultants who advise the Committee.
- 8.9 Review the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve total annual payments made under such schemes.

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- 8.10 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and the Executive Team and, if relevant, the performance targets to be used. The Committee shall review dilution limits and headroom prior to granting any awards under the Company's various share schemes.
- 8.11 Determine the policy for, and scope of, pension arrangements for each Executive Director and the Executive Team and consider the pension consequences and associated costs to the Company of basic salary increases and other changes in remuneration.
- 8.12 Ensure that contractual arrangements for termination and any payments made, are fair both to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised.
- 8.13 Oversee any major changes in employee benefit structures throughout the Company.
- 8.14 Agree the policy for authorising claims for expenses from the Executive Directors and Chairman of the Board. The policy for authorising claims for expenses from other Non-Executive Directors shall be agreed by the Board.
- 8.15 Monitor and review periodically the terms of any proposed letter of appointment or contract or termination arrangements relating to any Executive Director or the Chairman of the Board.
- 8.16 Work and liaise as necessary with all other Board Committees.
- 8.17 Consider any other matters related to the remuneration of Directors which the Board may ask it to consider.
- 8.18 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.

9. REPORTING RESPONSIBILITIES

- 9.1 The Chairman of the Committee shall report to the Board after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make recommendations to the Board where it deems appropriate on any areas within its remit.
- 9.3 The Committee shall ensure that: (i) provisions regarding the disclosure of information on Directors' remuneration, as set out in the Regulations¹ and the Code, are fulfilled in a Directors' Remuneration Report (comprising an Annual Statement, Annual Report on Remuneration and a Remuneration Policy Report (where relevant)) within the Company's Annual Report; and (ii) the Annual Statement and Annual Report on Remuneration are put to shareholders for AGM approval annually and the Remuneration Policy is put to shareholders for AGM approval at least every three years.

¹ Regulations means The Large and Medium- sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

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If the Committee has appointed remuneration consultants, the Directors' Remuneration Report shall identify such consultants, the fees paid for services in respect of the financial year under review and state whether they have any other connection with the Company.

- 9.4 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal shareholders about remuneration.
- 9.5 The Committee will make available to shareholders these terms of reference by placing them on the Company's website.

10. OTHER MATTERS

The Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties and responsibilities, including access to the Company Secretary for assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to laws and regulations and any published guidelines or recommendations regarding the remuneration of Directors of listed companies and formation and operation of share schemes, including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and other applicable rules, as appropriate.
- 10.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

11. Authority

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference. The Committee shall be responsible for appointing any consultants in respect of Executive Directors' remuneration.