

EVE SLEEP PLC (the Company)

TERMS OF REFERENCE FOR THE REMUNERATION COMMITTEE

In these Terms of Reference the following terms shall have the following meanings:

Board means the board of directors of the Company;

Chairman means the chairman of the Company;

Committee means the Remuneration Committee;

Group means the Company and its subsidiary undertakings from time to time; and

Nomination Committee means the nomination committee appointed by the Board.

1 Introduction

These Terms of Reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee for compliance with the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance (and for compliance with the Corporate Governance Code issued by the Financial Reporting Council in April 2016 in so far as it can be applied practically, given the size of the Group and the nature of its operations) and to assist the Committee in achieving best practice in corporate governance for the Group.

2 Constitution

The Committee was constituted at a full meeting of the Board held on 28 April 2017 in accordance with the articles of association of the Company.

3 Membership and Attendance

- 3.1 The 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 (other than in respect of the initial members of the Committee as set out in paragraph 3.2 below) from amongst the directors of the Company and shall be made of at least three members. In addition, the Chairman may be appointed by the Board as an additional member of the Committee.
- 3.2 At the date of formation of the Committee, it has been agreed that the members of the committee will be Peter Hepworth and Thomas Enraght-Moony and the Committee shall be chaired by Paul Pindar.
- 3.3 The Board shall appoint the chairman of the Committee. In the absence of the chairman of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman shall not be eligible to be appointed as chairman of the Committee.
- 3.4 *Only members of the Committee shall have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer of the Company, the Company's head of human resources and external advisers of the Company may be invited to attend for all or part of any meeting as and when appropriate and necessary.*
- 3.5 No member of the Board (or of the Committee) shall attend meetings of the Committee where his or her own remuneration arrangements are under discussion.

- 3.6 Members of the Committee shall be appointed by the Board for a period of up to three years. Such appointment may then be extended by no more than two further periods of up to three years provided the Director continues to meet the criteria for membership of the Committee.

4 Secretary

- 4.1 The Company secretary or his/her nominee shall act as the secretary of the Committee (**Secretary**) and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 4.2 The Secretary shall also act as a co-ordinating intermediary between the Board and the Committee.

5 Quorum and Voting Arrangements

- 5.1 The quorum necessary for the transaction of business shall be two members, present in person or by audio or video conference. A duly convened meeting of the Committee 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.
- 5.2 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).
- 5.3 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.
- 5.4 Except where he has a personal interest, the Committee chairman shall have a casting vote.
- 5.5 The Committee chairman may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

6 Frequency of Meetings

The Committee shall meet at least twice a year and at such other times as the chairman of the Committee shall require. Meetings should be organised so that attendance is maximised. The Committee shall meet at least once close to the year end for the purposes of reviewing the directors' remuneration report prior to the Company's Annual General Meeting.

7 Notice of meetings and Proceedings at Meetings

- 7.1 Meetings of the Committee shall be summoned by the Chairman at the request of any of the members of the Committee.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time. Papers required by the Committee may be provided electronically.
- 7.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences.
- 7.4 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.

8 Minutes of Meetings

- 8.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings (including the names of those present and in attendance) and shall ensure the Committee is properly constituted and advised.
- 8.2 The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 8.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all other members of the Board unless, in the opinion of the Committee chairman, it would be inappropriate to do so.

9 Annual General Meeting

The chairman of the Committee shall attend the Company's Annual General Meeting to answer any shareholder questions on the Committee's activities.

10 Duties

- 10.1 The role of the Committee is to assist the Board to fulfil its responsibility to shareholders to ensure that the 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.
- 10.2 In particular the Committee shall consider:
 - (a) remuneration policies, including base pay, long and short term incentives;
 - (b) remuneration practice and its cost to the Company;
 - (c) recruitment, service contracts and severance policies;
 - (d) pension and superannuation arrangements and other benefits; and
 - (e) the engagement and independence of external remuneration advisers.
- 10.3 The Committee shall, in conducting all of its duties in accordance with these Terms of Reference, act in a way it considers in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing so, the Committee must have regard (among other matters) to:
 - (a) the likely consequences of any decision in the long term;
 - (b) the interests of the Company's employees;
 - (c) the need to foster the Company's business relationships with suppliers, customers and others;
 - (d) the impact of the Company's operations on the community and the environment;
 - (e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
 - (f) the need to act fairly as between the members of the Company.

- 10.4 The Committee shall not decide upon the remuneration of the non-executive directors, which shall be decided upon by the Chairman and the executive members of the Board in accordance with the limits set out in the constitutional documents of the Company.
- 10.5 The Committee shall:
- (a) determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chief Executive, the Chairman (if the Chairman is an executive director), the executive directors, the company secretary, and such other members of the executive management of the Group to whom the Board has extended the remit of the Committee. No director or manager shall be involved in any decisions as to his or her own remuneration;
 - (b) in determining the remuneration policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies and associated guidance. The objective of such a policy shall be 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 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;
 - (c) seek to achieve an appropriate balance between fixed and performance-related remuneration, immediate and deferred remuneration and the performance-related elements of the executive directors' remuneration shall be transparent, stretching and rigorously applied. The remuneration policy shall have regard to the risk appetite of the Company and the alignment to the Company's long-term strategic goals as well as to the business strategy of the Group;
 - (d) when setting the remuneration policy for directors, review and have regard to the remuneration trends and employment conditions across the Group especially when determining annual salary increases;
 - (e) review the ongoing appropriateness and relevance of the remuneration policy and consult with significant shareholders as appropriate;
 - (f) within the terms of the agreed policy and in consultation with the Chairman and/or the Company's Chief Executive as appropriate, determine the total individual remuneration package of the chairman, each executive director, the Company secretary and other designated senior executives including bonuses and benefits in cash or in kind, base salary, pension arrangements, incentive payments and share options or other share awards;
 - (g) obtain reliable, up-to-date information about remuneration in other companies. To help it fulfil its obligations, the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, or surveys or information which it deems necessary, within any budgetary restraints posed by the Board;
 - (h) be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference that any remuneration consultants who advise the Committee;
 - (i) approve the design of, and determine targets for, any performance related pay schemes operated by the Group and approve the total annual payments made under such schemes;
 - (j) review the design of all share incentive plans for approval by the Board. 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, the Company secretary and other designated senior executives and their performance targets to be used;

- (k) 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 and consider whether any factors should be taken into account which would make an alternative outcome more appropriate and aligned to the interests of shareholders;
- (l) 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;
- (m) 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;
- (n) determine the policy for, and scope of, pension arrangements for each executive director and other designated senior executives and keep under review the pension consequences and associated costs to the Company of basic salary increases and any other changes in pension remuneration;
- (o) 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;
- (p) ensure that contractual terms on termination, and any payments made, are fair to the individual, and the Group, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- (q) oversee any major changes in employee benefits structures throughout the Group;
- (r) agree the policy for authorising claims for expenses from the directors,
- (s) ensure that remuneration incentives are compatible with the Company's risk policies and systems;
- (t) consider whether executive directors should be required to hold a minimum number of shares for a further period after vesting or exercise including for a period after leaving the Company;
- (u) design and invoke safeguards e.g. clawback to protect against rewards for failure through appropriate risk management of incentive arrangements so that performance-related payments to executive directors reflect actual achievements;
- (v) not authorise any payment or proposed payment to any existing, proposed or previous executive director or chairman that the Committee does not honestly and reasonably believe is consistent with the remuneration policy most recently approved by shareholders;
- (w) agree share ownership guidelines for executive directors;
- (x) give guidance to the executive management in setting the levels of remuneration for the Group;
- (y) obtain shareholder approval before departing from the stated remuneration policy;

- (z) address any appropriate structural changes that need to be made to the remuneration policy in light of changes to the relevant taxation legislation i.e., pensions taxation;
- (aa) ensure that performance related elements of remuneration form a proportion of the total remuneration package;
- (bb) work with the Company's Audit Committee in evaluating performance criteria;
- (cc) use a consistent approach to performance measurement and explain in the remuneration report how this is achieved;
- (dd) ensure that variable and share-based remuneration is not payable unless the performance measurement governing is robust. The Committee shall also satisfy itself as to the accuracy of recorded performance measures that govern vesting of such remuneration;
- (ee) determine the policy for, and scope of, pension arrangements for each executive director and other senior executives;
- (ff) review and consider all executive and management compensation agreements to ensure that they are reasonable and in the best interests of the Group, taking into consideration the financial circumstances of the Group and to the extent required by stock exchange/market policies, ensure that the Board submits executive and management compensation arrangements for review and prior acceptance;
- (gg) be aware of and oversee any major changes in employee benefit structures throughout the Group;
- (hh) work closely with the Nomination Committee in relation to the remuneration to be offered to any new executive director; and
- (ii) determine the remuneration of the Company secretary.

11 Reporting Responsibilities

- 11.1 The Committee chairman shall report formally 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 included in the Board papers for a subsequent Board meeting.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall report annually to shareholders on matters relating to executive remuneration. In preparing the report, the Committee shall include:
 - (a) An annual statement by the Committee's chairman.
 - (b) The directors' remuneration policy.
 - (c) An annual report on directors' remuneration.
- 11.4 If so determined by the Board:
 - (a) the Committee shall submit the directors' remuneration policy for approval by the Board and shareholders:
 - (i) every three years;

- (ii) in any year in which there is a change to the policy;
 - (iii) if shareholder approval was not obtained when last submitted; and
 - (iv) if majority shareholder approval was not achieved on the last submitted annual remuneration report; and
- (b) the Committee shall submit the annual report on directors' remuneration for approval on an advisory basis by the Board and shareholders annually.

12 Other matters

12.1 The Committee shall:

- (a) 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;
- (b) keep abreast of external remuneration trends and market conditions including receiving an annual presentation from its external remuneration consultants;
- (c) decide on any ex-gratia payments to be made and benefits granted to directors and senior executives and their surviving spouses;
- (d) subject to delegation of authority by the Board, determine whether the disclosure of any information on performance conditions would be commercially sensitive;
- (e) exercise any discretion or judgement on remuneration issues in accordance with the remuneration policy;
- (f) consider such other matters as are referred to the Committee by the Board; and
- (g) work and liaise as necessary with all other Board committees.

12.2 The Committee shall make available to shareholders these Terms of Reference.

12.3 If the Company appoints remuneration consultants to advise it, the annual report shall identify such consultants and the Committee shall make available a statement of whether or not such remuneration consultants have any other connection with the Company.

12.4 Through the Chairman, the Committee shall ensure that the Company maintains contact as required with its principal shareholders about remuneration.

12.5 The Committee shall arrange for periodic reviews of its own performance and shall, at least once a year, review its constitution and these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12.6 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required.

12.7 The Committee should 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.

12.8 The Committee shall 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 QCA Corporate Governance Code for Small and Mid-Size Quoted Companies, the Corporate

Governance Code and the requirements of the London Stock Exchange's AIM Rules for Companies as well as guidelines published by The Investment Association and the National Association of Pension Funds and any other applicable rules, as appropriate.

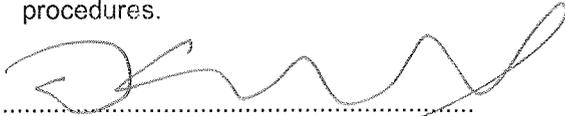
13 Authority

- 13.1 The Committee is authorised to investigate any activity within its terms of reference and seek any information it requires from any employee of the Company in order to perform its duties. All employees are directed to cooperate with any request made by the Committee.
- 13.2 The Committee is authorised by the Board to:
- (a) obtain, at the Company's expense, outside legal or professional advice on any matters within its Terms of Reference;
 - (b) carry out all duties set out in these Terms of Reference, to have unrestricted access to the Company's documents and information; and
 - (c) secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.

14 Procedure

Subject to the constitutional documents of the Company, the Committee shall determine its own procedures.

Signed by:



(Thomas Eucraft-Moony)

Dated: 28 April 2017